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EDITORIAL

As We See It

The Treasury is apparently as determined as ever not to pay what is necessary to tap the savings of the nation to meet its deficits. The "full accord," whatever it may include, evidently does not forbid the Reserve System from aiding and abetting the Treasury in its efforts to monetize further large increases in the public debt.

These are strong words. They may come as a shock to elements in the population who had supposed that we had come a long way since the financial follies of World War II. But the facts are as stated, and chapter and verse are not difficult to cite.

During the days of the huge World War II deficits, the Treasury worked out and constantly used a sort of pressure technique in raising the funds it had to have. It merely announced what it intended to pay for new money—and the Federal Reserve System used its high-powered machinery to see to it that the Treasury obtained what it wanted at the price it wished to pay. We were engaged in a "total war," and the state of mind which goes with such a situation prevailed throughout the land. Individuals and institutions either fell in line, or were at once suspect as not patriotic, and all the rest.

What is more, the war itself and the maneuvering of the authorities in Washington quite successfully cut off nearly all investment outlets for investible funds, cut them all off, that is, except Treasury obligations. There was, and there still is, of course, a good deal of idle talk about "tailoring" the Treasury's offerings to the market. The cold truth of the fact is that the market was first "tailored" to suit the authorities

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Business Will Remain Good After Defense Spending Peak

By HON. JOHN W. SNYDER*
Secretary of the Treasury

Noting return to normal demand and supply relationships in civilian economy, Secretary Snyder contends economic outlook is encouraging. Says fears originate from two sources: (1) lack of buying interest at retail level; and (2) fear of downturn in business when defense spending passes peak. Holds situation has improved and consumption expenditures during first quarter were, on annual basis, $3 billion above 1951. Argues expanding population, along with new industrial techniques, gives confidence in long-term outlook. Stresses importance of Point IV Program.

The Communist aggression in Korea is a clear threat to our liberties and to our democratic way of life. Open use of military force to impose a Red dictatorship upon a freedom-loving people has brought our primary task sharply into focus. It is a task which must necessarily dominate our national actions—to build impregnable defenses against the Communist conspiracy to achieve world domination.

John W. Snyder

While the road ahead may still be long and difficult, we have already made substantial progress in building the defenses of the free nations against both external aggression and internal subversion. We are well along the way in erecting a foundation on which we can build a world based upon law and justice, in which men can live in freedom and tranquility.

We made a start on this foundation even before the termination of World War II, with the formation of the United Nations Organization. Economic aid furnished by our country to other nations has been an important factor because

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*An address by Secretary Snyder before annual banquet of Tennessee State Exchange Clubs, Memphis, Tenn., June 13, 1952.

The United Nations—Why It Is Doomed to Fail

By WILLIAM A. ROBERTSON
Member of New York Bar

Commenting on lack of accomplishments by United Nations, Mr. Robertson contends world federation as means to peace is obstructed by its internationalism. Holds "internationalism" warps everything UN undertakes, and the organzation's mixed and nondescript composition makes it useless for action in either peace or war. Says disparities among UN members is a heavy liability, and results in an "unbalanced world balance-wheel." Concludes United States, as independent power, is more useful to world than when harnessed to Old World ideals. Suggests United States withdrawal from UN.

The achievements of the United Nations in behalf of world peace, during the first six years of its existence, have come close to being exactly nothing. The showing is this: America has become involved in a costly and bloody war in Korea, unauthorized by Congress. There have also been the following: War between Israel and Arab States; between the Dutch and "Indonesians"; between French and Indo-Chinese; between England and the Iranians (Persians); between England and Egypt. Five resorts (or "near resorts") to arms within six years.

This situation is so disturbing that no one can view it with levity or indifference. We are forced to reconsider the wisdom of that "leap in the dark" which we made in joining so fantastic a thing as a world confederation.

Importance of Future Policy of United States

The world's peace efforts through international organization have been so disappointing as to make us pause. What position should the United States assume in this overwhelmingly important matter?

We are essentially a peaceful people; war is not only distasteful to us, but in peace we accomplish more for ourselves and every one else than through war. We have won two world wars, but have lost two world peace settlements. We have been bunglers in a great art.

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CANADIAN ISSUE NEXT WEEK—In addition to the regular paper, the "Chronicle" will issue next week a Special Supplement devoted to the proceedings of the 36th Annual Convention of the Investment Dealers' Association of Canada.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

(The articles contained in this forum are not intended to be, nor are they to be regarded, as an offer to sell the securities discussed.)

This Week's Forum Participants and Their Selections

WALTER D. FIXTER

J. W. Sparks & Co., Philadelphia, Pa.

Delaware River Joint Toll Bridge Commission Bonds

For the past several years considerable interest has been manifested in revenue projects, the financing of which has been accomplished under various State laws establishing specific Authorities to set-up, construct and operate such revenue enterprises. Superhighways and bridge authorities and/or commissions seem to be most popular with the investing public providing, as they do, a more rapid movement of vehicular traffic whereby conjection in populated areas is reduced to minimum. Past record of these authority projects has been, for the most part, successful beyond expectations. Then too, these various projects have tax-exempt factors which are of specific attraction to the purchaser of bonds in and around the locale in which the project is created.

Walter D. Fixter

I favor the bond issues of Delaware River Joint Toll Bridge Commission for many reasons. This Commission operates and has jurisdiction over what is known as the Upper Delaware River Valley. Among numerous river crossings which it supervises and operates there are two of major importance, namely, the Easton-Phillipsburg Bridge and the Trenton-Morrisville Bridge which is now under construction. The development of the Upper River Valley has been tremendous as noted by the building of the United States Steel Corporation Fairless Plant at Morrisville and the accompanying residential construction and the establishment of small business to accommodate this tremendous growth. There is no question in the writer's mind that the vehicular activity will result through this huge industrial and residential development will afford revenue to these bridge projects far in excess of original estimates.

There are two issues of bonds available of the Delaware River Joint Toll Bridge Commission and they are the 2.30% due Nov. 1, 1984, callable at a premium beginning 1953 and the 2.35% due Nov. 1, 1984 issued in the early part of 1951 and likewise callable at a premium beginning 1954. The latter issue is in greater supply because of the fact that the first issue of 2.30% was well distributed and therefore seldom comes on the market. This particular issue sold as high as 107½, breaking through a 2% basis as figured to maturity. The 2.35% issue currently available around 103½ (approximately 2.22% basis) provides a comparatively good income as well as current rate of dollar return. This latter issue has the same potentials as did the first issue in that it could sell at higher market levels particularly in view of the fact that the final phase of construction is now being concluded and the Trenton-Morrisville Project should be in operation and thus revenue producer in the matter of several months.

The extent of the vehicular traffic which will be attracted by the new Trenton-Morrisville Bridge is not generally recognized and appreciated. The bridge will be fed, so to speak by traffic from the Trenton Freeway (now near completion) with which it will be connected. The Trenton Freeway, covers a distance of some four miles running from the New Brunswick Circle on Route No. 1 down to Trenton to the bridge approach. On the Pennsylvania side the relocation of Route No. 1 is being constructed whereby traffic from the bridge will again rejoin Route No. 1 to Philadelphia several miles beyond the Pennsylvania side of the bridge. The diversion of truck and passenger traffic from Route No. 1 on to the Trenton Freeway will eliminate the present day necessity of such traffic maneuvering in and out of the City of Trenton. This has always entailed a great deal of time but now this attractive access to the bridge crossing and the time saving factor will be more than worth the toll cost. There are but few accesses to the Trenton Freeway and thus the traffic borne will be primarily through traffic from points in central and northern New Jersey to the various destinations in Pennsylvania and to the west.

Another point to consider with respect to revenues of the Joint Toll Commission is the fact that the Commission is constructing three additional traffic crossings between (1) Portland, Pa. and Columbia, N. J.; (2) Delaware Water Gap; and (3) Milford, Pa. and Montague, N. J. Naturally, it is expected that when completed (1953) these bridges will contribute their estimated shares of the additional revenues to the Commission.

Another fact that should be borne in mind is that the Delaware River Joint Toll Bridge Commission (Upper River) has jurisdiction over all crossing facilities of the Upper Delaware including as far down as the Tacony-Palmyra Bridge and the Burlington-Bristol Bridge, which crossings are under the operational jurisdiction of the Burlington County Bridge Commission. Of course, the Burlington County Bridge Commission financing has been litigated through the courts and the ultimate determination of its status is yet to be made known. Nevertheless, when, as and if these bridges are freed from litigation, there is a distinct possibility that their operational results will be included in the general revenues of the Joint Toll Commission. The bond issues we have mentioned, namely the 2.30% and the 2.35% are eligible for fiduciary funds in both New Jersey and Pennsylvania and are not subject to local taxation.

We believe that the potentials surrounding these Joint Toll Bridge Commission bonds, with respect to more than adequate revenues, affords the purchaser of these bonds a most satisfactory margin of safety and probable enhancement in market value.

LAURENCE M. MARKS

Partner, Laurence M. Marks & Co.
Members New York Stock Exchange

Shamrock Oil & Gas Corp.

One of the stocks that I like most at the moment is the common stock of the Shamrock Oil & Gas Corporation, which is listed on the New York Stock Exchange and sells around 35½.

Laurence M. Marks

The company is principally engaged in the production and purchase of natural gas from the Hugoton and the West Panhandle fields in Texas; the processing of natural gas and the recovery and sale of gasoline and other liquid hydrocarbons; the sale of residue gas to natural gas pipe line companies, carbon black manufacturers and industrial users; and the production, purchase and refining of crude oil and the sale of crude oil and refined products. Its gas processing and petroleum refining facilities are situated in the northern portion of the Texas Panhandle. Natural gas and crude oil are obtained from surrounding acreage through field gathering systems. In addition, the company also has an overriding royalty interest in the production of crude oil, distillate and natural gas obtained from the Opelika field in east Texas.

The capitalization of the company consists of $15,000,000 15-Year 3½% Debentures, due April 1, 1967, which were sold early in May to the public by a syndicate headed by The First Boston Corporation, and 1,345,570 shares of common stock. There is no preferred.

The company has had a remarkably steady record of growth and earnings. For the fiscal year ended Nov. 30, 1951, the net income per share amounted to $3.86 compared with $3.54 for the 12 months ended Nov. 30, 1950.

Perhaps the steady growth of the company is best shown in the table below of sales and earnings for the years ending Nov. 30 1941 to 1950.

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	Operating Revenue	Net Income	No. of Shares	Earnings on Common
1950	$27,918,696	$4,764,462	1,345,570	$3.54
1949	24,621,930	4,884,584	1,345,570	3.63
1948	21,417,164	5,573,548	1,345,570	4.27
1947	12,079,202	2,875,158	1,345,570	2.14
1946	7,759,015	1,564,078	1,345,570	1.16
1945	7,147,571	1,173,929	1,345,570	0.87
1944	7,565,242	2,748,195	1,345,570	2.00*
1943	7,323,699	894,448	1,345,570	0.55
1942	5,480,106	633,003	1,345,570	0.36
1941	5,141,121	854,936	1,345,570	0.52

*Before non-recurring profit from sale of capital assets earned per common share was $0.70, and had present practice of charging amortization of dry hole expense to current operations been applied to that year earned per common share would have been approximately $0.50.

The SEC Statutes and Investment Banking

By JOSEPH T. JOHNSON*
President, The Milwaukee Company
President, Investment Bankers Association of America

IBA Spokesman though, in general, upholding SEC Acts, suggests changes which would remove handicaps in flotation of new securities and raising of capital for new enterprises. Discusses private placement of new securities and recommends permitting immediate issuance, without registration, of securities senior to those listed on a national exchange, and favors amendment of SEC rules to allow accelerated offerings of bonds already rated by independent agencies. Advocates dealers and brokers be permitted to make both verbal and written offers before registration becomes effective, and opposes compulsory competitive bidding.

In your Chairman's letter inviting me to come here today, he stated that you would like to have my testimony with respect to the effect of the several statutes administered by the SEC on:

Joseph T. Johnson

(1) Investment banking generally;

(2) The flotation of new securities;

(3) The raising of capital for new enterprise; and

(4) The market for securities, and related matters.

I shall, therefore, address myself briefly to these questions in the order indicated, before answering his final inquiry as to any proposals which we might care to suggest for amendments to the existing statutes administered by the Securities and Exchange Commission.

In a general way, however, I would first like to make two limiting observations. Although most of us in the securities business have come in contact in one way or another with all of the laws administered by the SEC, I am personally much more familiar with the operation of the Securities Act of 1933 and parts of the Securities Exchange Act of 1934 than I am with the other laws administered by the Commission. The other laws, if you will, have to do with highly specialized phases of our business, and I am sure you would be wiser to get comments on their effectiveness and deficiencies from specialists in these fields than from me. In addition, I would like to make it clear that I have not polled our membership to get their approval or disapproval of the specific comments I am about to make, but I can say that, in general, they reflect the views of our Board of Governors, and I believe that they would meet with the approval of the overwhelming majority of our members.

*A statement of Mr. Johnson before the Securities and Exchange Subcommittee of the House Committee on Interstate and Foreign Commerce, June 10, 1952.

Question No. 1—The Effect of the 1933 and the 1934 Acts on Investment Banking Generally.

I think it is fair to say that, although these two laws are far from perfect and should be amended in many respects, they have, on the whole, operated in the interest of investors, the public and in our own interest. Certainly no reasonable person could quarrel with the underlying purpose of the '33 Act, as supplemented by certain provisions of the '34 Act, which is full and fair disclosure of up-to-date material facts about securities offered thereunder. We do disagree and have disagreed with the Commission on many problems arising under these Acts, such as the appropriate solution of the Section 5 or "beating the gun" problem, questions of materiality in connection with the registration statement, prospectus and proxy statements, the scope of the brokerage exemption, unlisted trading on exchanges, etc., and we have disagreed with some of the Commission's administrative interpretations and actions under these acts, but I do not believe there are many who would seriously question the basic purpose and utility of these two laws.

At the same time, I think it must be obvious that the '33 Act particularly has had a profound impact upon the investment banking business generally, as it was intended to. I think it is fair to say that after an issuer and an investment banker, acting as an underwriter, have gone through the registration process they are both better informed about the finances and business of the issuer than was frequently the case before the enactment of this law. I think the availability of the registration statement, the "red herring" and the final prospectus to rating services, investment advisors and particularly to dealers, has put all of these professionals in a better position to evaluate the securities of an issuer than was generally the case prior to 1933. I think the '33 Act has slowed up the underwriting and distribution process somewhat, as it was intended to do. This, on the one hand, has been beneficial insofar as it has afforded the time and means for those engaged in the distribution, other professionals

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Articles and News

Regular Features

*Mr. Bargeron's column was not available this week.
**Mr. May's tenth article in the series on the International Economic Conference in Moscow, which he attended as an accredited correspondent, appears this week.

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Looking Ahead With the Rails

By ROBERT E. THOMAS*

Manager of Railroad Investments, Keystone Custodian Funds, Inc.

Rail securities specialist, in expressing optimistic view on near term outlook for railroads provided unfavorable labor situation is avoided, lays improved rail earnings to utilization of diesel engines and other equipment improvements. Looks for further operating economies to offset future higher wage payments, and advocates major changes in Federal laws regulating all forms of transportation, so as to allow fair competition among the different carrier agencies.

The invitation to participate in the annual meeting of the Boston Society of Security Analysts is an honor and a privilege which I deeply appreciate. It makes me very happy to have this opportunity to discuss with all of you the subject, "Looking Ahead With the Rails."

Robert E. Thomas

With no time limit on looking ahead and considering the many ramifications of the railroad industry, the topic opens up all sorts of interesting possibilities. In thinking about the subject, I decided to talk more about some of the problems facing the railroad industry rather than spending a lot of time discussing the strong points which are probably well advertised. Furthermore, purchasing and owning railroad securities—whether as an investor or as a speculator—is at best a hazardous business. It is well to know all about the possible problems and drawbacks before investing or speculating — otherwise you may be suddenly and rudely awakened by the jangling of your pocketbook nerve.

Before we go into some of the problems, I would like to comment briefly on the earnings outlook for 1952 and 1953. Traffic as measured by carloadings is off about 4% so far this year. Figures for ton miles are not available for the same period but with the average load per car running somewhat heavier, I believe ton miles are only off about 3%. Industrial production as measured by the FRB Index is also somewhat lower than the comparable period in 1951.

I hardly need to point out that a high level of industrial production results in a high level of railroad traffic. Nor need I point out that when general business is advancing or declining, the ton miles of most individual railroads follow the broad trend. In fact, it's rather unusual for an individual railroad to deviate too much from broad trends of general business activity. This means, of course, that those who think traffic will rise from here should expect higher railroad earnings. Those who expect traffic to be about the same should expect earnings at about the same level. Pessimists should expect lower railroad earnings and should bear in mind that earnings will decline more rapidly than will traffic.

It is probably an old story to many of you and I will not dwell on it very long. So far as 1952 ton miles are concerned, I am estimating about 628 billion or roughly a 3% decline as compared with 1951. Based on the trend at the moment, this will not be realized without some upturn in activity between now and the end of the year so that my estimate may be a little on the high side. On the other hand, early crop reports which of course can be very misleading, are good. Some defense traffic is now getting on the rails and as defense spending increases over the balance of the year, traffic of this sort should rise. We are also beginning to see a few signs of improvement in the business picture. All of these things indicate to me that a "guesstimate" at this stage of a 3% decline in ton miles for 1952 will not be too far wrong.

On this basis and reflecting the rate increases approved by the Interstate Commerce Commission in Ex Parte 175, it is estimated that gross revenues will be up about $700 million over 1951. It is estimated that operating expenses will be some $400 million higher. Net income for all Class I railroads is estimated at between $775 and $800 million for 1952 as compared with $693 million in 1951. This is not an adequate return. It looks good but only because such earnings will approach the wartime peak of 1942 and 1943.

As we look ahead into 1953 I wish I had a crystal ball. We do know that railroads will receive in the first four months of next year some $200 million of revenue on the basis of present traffic levels as the result of the latest increase in Ex Parte 175. As to the outlook for general business, there seems to be more pessimism around the country than in a long while. There is more printed about it today than in some time. The Government tells us that spending for defense purposes will continue high in 1953. Barring crop failures of importance, there appears to be little reason why agricultural traffic should not hold up well. Building activity in 1952 is high and while residential construction may decline next year, activity in public construction, particularly highways, will be higher. The $64 question for 1953 is what will happen to capital expenditures?

Frankly I do not know what will happen to general business in 1953. However, as I look at some of the monthly earnings reports now coming out showing declines in revenues and in tonnage handled as compared with a year ago and look at the excellent control over expenses in the face of such declines, I see little reason to fear a business decline of small proportions next year. Through plowing back earnings in extensive rehabilitation and modernization programs over the past ten years, it is certainly true that railroads generally in the U. S. have reached a level of physical condition never before seen for American railroads. This is in the nature of a hidden asset on the balance sheet and will be of considerable value whenever traffic does decline.

All of this tends to add up to a certain amount of optimism so far as the shorter term outlook is concerned except for possible labor developments. The railroads have just been returned to their owners and for the moment at least it appears we will have a relatively long period of peaceful labor relations under contracts running into the fall of 1953. If this period of peaceful labor conditions materializes, it will be something new—a condition which has not prevailed in the railroad business since Franklin D. Roosevelt sabotaged the Railroad Labor Act in 1943. It almost looks too good to be true.

Frankly I am concerned about these contracts in three respects. First they all include provision for a quarterly cost-of-living adjustment. While this is something undoubtedly due railroad workers from a humanitarian viewpoint, it fails to recognize that present procedures for increasing rates are time consuming. During a period of rapidly rising living costs the railroads might be forced to make cost-of-living adjustments every three months and at best rate relief to compensate would not come along until yet another rate adjustment was needed for another cost-of-living wage increase. This is indeed a vicious circle to contemplate.

Second is the provision for so-called productivity increases on July 1, 1952, provided such increases are allowed by Government stabilization rules. No amounts are specified and I presume it will take some time to negotiate the amount. We can probably be certain that the elastic rules of wage stabilization will allow some sort of an increase. This is not too serious because the total annual cost of each cent an hour after adjustment for taxes is about $14 million. The productivity increase will probably not exceed 4c an hour.

Third is the question as to whether the contracts will be respected by the brotherhoods if a general round of wage increases follows a substantial increase to the steel workers. Labor unions in the past have had little respect for contractual agreements nor has the Government paid much attention to them either. If we have a general round of wage increases throughout all principal industries I find it difficult to believe that railroad labor will not find some way to, in effect, tear up the contracts and obtain a comparable wage increase. If the wage recommendations for the steel industry are any guide, one-half billion dollars a year or more could be added to the railroad wage bill. This would be serious.

For several years we have witnessed almost annual rounds of wage increases and these in turn increase all other costs. When or where this vicious cycle will stop, no one knows. Raising rates is not the only answer. So long as the cycle continues, railroads must continually find new ways of saving money or they will end up in the bankruptcy courts.

The quick and the most popular way of developing operating savings over the past several years has been to buy diesels. In the past five years, the diesel fleet of American railroads has grown from 5,000 to more than 19,000 units representing an investment of over $2½ billion. The railroads are continuing to buy diesels as fast as manufacturers can turn them out and are installing more than 200 new ones every month. One hundred percent dieselization has been achieved on 20 Class I railroads—the largest being the Frisco. Many other railroads are approaching 100% dieselization.

Operating savings resulting from diesels are running at the rate of some $600 to $700 million a year. These savings become highly significant when you stop to think that after adjustment for income taxes, they amount to about one-half the total earnings of the railroad industry. Applied to individual railroads, this means that without diesels, many railroads would be operating in the red. It also means we are seeing the development of an industry-wide problem. That problem is—what sources of savings will the 100% diesel railroad be able to develop in the future to meet increased wages and costs?

I have talked with many railroad men about this question and would like to discuss three possible sources of large savings over the next 10 to 15 years. Each of these savings is substantial and taken together possibly would approximate in importance the ultimate total saving from dieselization.

The first possible saving of some magnitude—and I put this one first only because some figures are available as to the possible annual savings—is to lick the hot box problem. The hot box problem has been with American railroads for a long time, in fact so long that an outsider like myself wonders why something has not been done long ago. Other people have also wondered about this. Speaking at the annual meeting of the American Railway Engineering Association three months ago, Mr. Fred Gurley, President of the Santa Fe, expressed himself quite forcefully on this problem. I quote:

"I don't know who invented the wheel, but I do know that railroad engineers have not found out how it can turn around under a freight car equipped with a conventional truck without creating what is to me one of our most damnable problems, i.e., the hot box. Surely, you should be able to find the answer to the question — can a wheel be turned successfully with a friction bearing with any lubricant and can that lubricant be handled in a journal box? If the answer is yes, glory be, let's change things at once! If the answer is no, then let's face it and use some other methods of carrying a load on a turning wheel."

Having the responsibility of a large railroad investment portfolio and being a practical businessman, I say "amen" to these remarks by Mr. Gurley.

Why is a solution not found? The automobile industry long ago solved the bearing problem. Bearings—both of the roller type and the ball type—are in common use in American industry and our everyday life. Roller bearings are used extensively by American railroads on engines and passenger cars but not in freight service.

What is the problem in terms of possible savings?

In a recent study, Oscar Horger, Chief Engineer of the Railroad Division of Timken Roller Bearing Co., estimated the cost of equipping all freight cars with roller bearings at about $870,000,000. He estimates direct savings of $225,000,000 yearly, or a return of about 25% on the investment.

Why have the railroads not been interested in licking the hot box problem? Of course one obvious answer is money—they have been busy buying diesels.

Another not so obvious but a real reason nevertheless is the feeling an owner railroad would not see its roller bearing cars very often—that they would be in service on foreign lines most of the time. This may be so, but again to an outsider—not an insoluble problem. Why not raise the *per diem* charge for such cars to compensate for their higher initial cost?

Still another reason is the difference of opinion among railroad engineering people as to Mr. Horger's figures and the use of roller bearings at all. Frankly, I do not know whether the figures are right or not. I do know the Quebec, North Shore and Labrador Railroad is equipping all its new ore cars with roller bearings on the basis of a study prepared by the Timken Roller Bearing Co. and checked by independent engineers.

Granted that Mr. Horger is probably interested in selling roller bearings, no one has yet refuted his study by figures. Until they do, the direct savings appear worthwhile. In addition, the exponents of roller bearings say the railroads will discover some indirect savings as well on which it is hard to place a dollars-and-cents value. For example, roller bearings ought to reduce motive power requirements for a given train load; roller bearings should allow higher train speeds which, in turn, will improve train hour production; roller bearings should improve shipper relations through

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*An address by Mr. Thomas at the annual meeting of The Boston Security Analysts Society, Boston, Mass., June 11, 1952.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

Hampered by labor-management disputes in some lines, including steel, carpet mills, construction and local transportation, total industrial output failed to equal the high level of a year earlier and was about 10% below the all-time high attained during World War II. Despite the fact that continued claims for unemployment insurance benefits were at the lowest point in the current year, they were up 14% from a year ago, while initial claims declined 4% to the lowest level in seven weeks but rose 16% from a year before.

Steel ingot production the past week reached 12.2% of capacity as some plants which had previously settled with the steel union continued operations. Estimates reveal that more than 1,000 workers were laid off as a result of the steel dispute.

This week the steel market outlook is blacker than it has been for many months, states "The Iron Age," national metalworking weekly. Reluctant use of the Taft-Hartley Act by President Truman was seen as the only hope of getting more than 600,000 striking United Steel workers back on the job in time to prevent extensive shutdowns of vital manufacturing plants.

Steel consumers are showing grave concern about their shrinking inventories, the duration of the strike and how they can keep operating until steel production is resumed, continues this trade weekly.

Before the strike most steel users had sufficient inventory for a month or more of operation. By the end of this week some of them will see three-fourths of that inventory wiped out, and if the strike lasts two more weeks manufacturing shutdowns will start coming thick and fast, "The Iron Age" notes.

No one is watching the labor impasse more closely than steel consumers. Among them are auto producers who once again see their market battle about to be decided on the strength of their steel supply lines. They are showing renewed interest in conversion and buying anything and everything that has conversion possibilities, this trade publication observes.

By the end of this week steel production losses from the current wage impasse will amount to about 8 million tons of ingots—or about 6 million tons of finished steel. If production is not resumed this week, the total loss will eventually amount to more than a month's output, according to this trade authority.

This is bound to have a drastic and lasting effect on the steel market, it declares. The timetable on decontrol of steel is likely to be extended from 4 to 6 months and items in the "very hard to get" class will remain tight much longer. General manufacturing costs, too, will be higher because of the delay, trouble and expense in getting steel. In addition, mill steel will be costing about $5.50 more a ton.

Use of the Taft-Hartley Act was expected because of the growing seriousness of the strike, and because Congress' intent was made clear in overwhelming voting against seizure and for use of the Act. If 60 days of the 80-day injunction period were to pass without agreement, National Labor Relations Board would conduct a vote to see if employees wished to accept industry's last offer. Many in industry believe the workers would accept the steel firms' package offer which would cost about 24 cents an hour, but which would not give the union shop, concludes "The Iron Age."

The auto industry "cannot escape a shutdown or drastic curtailment" even if the steel strike is settled within the next few days, "Ward's Automotive Reports" stated on Saturday of last week.

"Even though a quick settlement in the steel dispute is reached," explained "Ward's," "the impact on July car and truck programs will be serious." The statistical agency was referring to the disruption in steel shipments due to the strike.

It said the current strike, which has lasted two weeks, will hamper auto production sooner than did the 1949 steel strike of six weeks' duration. Car assemblies did not "falter" until the fourth week of the mill shutdowns in the 1949 strike. "From that point on," said "Ward's," "each succeeding week's volume progressively declined, tumbling from 120,000 to 40,000." It added that the upturn in output did not come until a month after the mills resumed work.

The United States Department of Commerce currently reports that income receipts of individuals have shown little variation since last autumn. In the first four months this year, personal income ran at an annual rate of nearly $259,000,000,000. This was a 5% increase over the like 1951 period. But the April pace of $258,900,000,000 was only slightly above that of March. This was in line with the "general stability" of personal income since last October when the annual rate was $258,000,000,000.

Outlays by United States business for new plants and equipment in the third quarter are expected to remain close to the record expenditures of the previous period. In a joint survey the Securities and Exchange Commission and the Commerce Department predicted United States firms would spend $6,400,000,000 for capital outlays in the three months ending June 30, and $6,100,000,000 in the following quarter. Total outlays for the first nine months of this year is expected to reach about $18,100,000,000, an increase of 9% from actual expenditures in the like period of 1951. Previous estimates of $24,100,000,000 for all 1952 may be exceeded, the two agencies stated. Outlays in 1951 totaled $23,300,000,000.

Effective Monday next, the government has authorized retail stores to raise prices on hundreds of consumer articles. The nation's 212,000 retail outlets will be allowed to boost prices enough to

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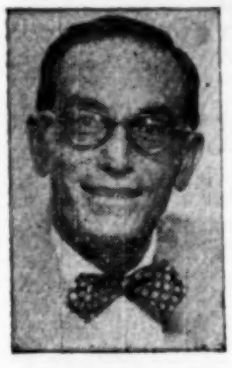
Can the West Do Business With the Kremlin?

By A. WILFRED MAY

This is the tenth in a series of articles by Mr. May following his attendance at the International Economic Conference in Moscow, which he covered as an accredited correspondent.



A. Wilfred May

In our article of last week we cited the record of the Kremlin's policies exhibited in Norway, Czechoslovakia, and China, as showing that the answer to that question, *"Can We Do Business With Stalin?"* has been unilaterally answered in a decisive negative by the Russians.

The hypocrisy of the Russians' pious pleas for expanding trade and their tirades against controls, made at the Moscow Conference and now again at the United Nations, must be apparent to anyone cognizant of the self-sufficiency principle that has been their gospel ever since the U.S.S.R.'s founding 30 years ago. In fact, this ruling doctrine was laid down by Lenin as long ago as December, 1920, as follows: "Restoration of trade relations is a means of making large purchases of machinery needed by us. . . . The sooner we have achieved this . . . the sooner will we be economically independent from the capitalist countries."

In 1941, for example, the Soviet's strategically-motivated trade autarchy was again typically enunciated (by Mishustin, a leading Russian economist, in *Foreign Trade in the U.S.S.R.)* as follows: "The main goal of Soviet import is to utilize foreign merchandise, and first of all machinery, for the industrialization of the national economy, and for the technical and economic independence of the U.S.S.R. . . . The import of the U.S.S.R. is so organized that it aids the speediest liberation from export."

Satellites Included in Self-Sufficiency

After World War Two's V-Days the Kremlin wasted not a moment in imposing her self-sufficiency strictures on her several satellites as well. Thus, a Czechoslovakian directive issued in 1950 pre-Korea carried the following provisions: (1) Only absolute essentials are to be imported from capitalist countries and these only when adequate supplies cannot be found within the Soviet realm; (2) insofar as possible, payments are to be made through exports of non-essential goods; (3) to the extent that shipping is available, all imports are to be channeled through Polish ports and are to be carried in Soviet realm ships. So much for imports.

Regarding exports: (1) Nothing is to be delivered to capitalist countries which is required in the Soviet Union or the so-called Peoples' Democracies; (2) no exports of strategic goods are permitted to capitalist countries; (3) the Peoples' Democracies are to be granted priority in delivery of goods required for the rebuilding of their economy; (4) exports to capitalist countries are to be limited to non-essential goods insofar as possible; (5) deliveries of steel products to capitalist countries are to be reduced to a minimum; (6) shipping across West Germany and from West European ports is to be reduced to a minimum, and, whenever possible, Soviet Union or Peoples' Democracies vessels are to be employed for overseas trade.

In contrast to the Czechoslovakians' repeated professions of their desire to do business with foreign businessmen, is their action in confiscating the property of American nationals without compensation; the American firms have been virtually prevented from doing business as a result of the Czechoslovakian Government's harassing; and disclosure of necessary trade information has been made a treasonable offense. And the Oatis experience of imprisonment without justification which, as we pointed out previously, certainly warrants the height of skepticism about the country's trade purposes with the West, occurred in Czechoslovakia.

Actions versus Empty Phrases

Per the specifications of Dr. Isador Lubin, U. S. Representative in the United Nations' Economic and Social Council (on June 11 last), on the emptiness of the Russians' phrases, they refused to participate in the calling of a United Nations world trade conference in 1946, in the General Agreement on Tariffs and Trade, in the International Bank, or in the International Monetary Fund — instead employing their energies toward discrediting, smearing, and sabotaging these major projects of constructive international cooperation at every opportunity. In the apt concluding words of Dr. Lubin: "I have recalled to you the facts of Soviet doctrine and practice in the international trade field. I ask you to examine the current Soviet pretensions in the light of their behavior. Plainly, Soviet doctrine and practice in this field, to say nothing of Soviet doctrine and practice in the political, information and military fields, do not permit us to consider this recent talk of the Soviets as anything more than 'just talk'."

Representations that additional trade deals can be made through Western businessmen circumventing their "obstructive" governments, as promulgated at the recent Moscow Economic Conference, are likewise just talk. For, as with us, Britain's entire export trade and most of its import trade, are already in private hands. There are practically no governmental controls over exports of non-strategic items, and no barriers, excepting import licenses for balance of payments reasons, to contacts between the eager private exporters and the Russian-bloc authorities. Hence there is no trade purpose to be served by the trade fair technique of an international conference.

Just-Talk of Moscow Conference

And so it is that no firm contracts for additional trade have resulted from the Moscow parley, and its objective must be seen as merely attempting to weaken the free nations' determination to deny supplies of strategic goods to Eastern Europe and China.

Even the "intended" bargains that were discussed in Moscow do not constitute new trade, additional to what was already arranged for in other settings, or to what would have taken place

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The Supreme Court Steel Decision

By ROGER W. BABSON

Mr. Babson contends decision of the Supreme Court in the steel seizure case may prove beneficial to labor as well as industry, since the power of seizure could be used against labor, in event a President may be unfriendly to labor leaders. Says one of basic problems connected with strikes applies to employees' pension funds. Discusses pensions for stockholders.

Investors seem to feel that the Supreme Court steel decision was a victory for them against the labor unions. This, however, is a mistake. The Supreme Court decision was a victory for all of us. It means that a President cannot become a Dictator without an express Act of Congress, and that this Act must be constitutional. Just now, with a President friendly to the labor leaders, they are disappointed; but these labor leaders should realize that the time may come when someone may be President who is unfriendly to Labor. If the Supreme Court had upheld the seizure of the steel industry, it could then become very harmful to Labor. Therefore, all should be very happy with the decision. Furthermore, we should become immune to these strikes. They have been with us since the days of Cain and Abel and will continue for another thousand years.

Roger W. Babson

Pension Funds for Workers

One of the basic problems now connected with strikes applies to pension funds for employees. Naturally, I feel that pensions have their usefulness in the case of faithful executives and employees of long standing. Like everything else in this world they have, however, disadvantages as well as advantages.

I surely believe that all pension plans should be approved by the stockholders before adoption and should be very carefully considered from every angle. Unfortunately, too many executives are rushing these pension plans in order to "get aboard" themselves.

Two Different Plans

The first question for a corporation to decide regarding pensions is whether (1) to have the Fund administered by a bank, or (2) to have it handled by an insurance company. A corporation which is willing to consult a courageous and experienced Investment Adviser constantly, can secure a higher rate of interest for the employees and can vary the payments according to business conditions and, at times, buy some of its own stock, by having the Fund administered by a bank. This I advise for my own companies.

If, however, there is a temptation to buy too many stocks at a critical time like this, it would be better to use an insurance company. By so doing the corporation would avoid perilous kickbacks due to the shrinkage of assets by a carelessly self-administered pension fund.

Is This Request Crazy?

Among letters from readers I am asked: "Why pensions for officers, executives and everyone else but the stockholders?" One suggestion is that stockholders of 20 years or more should—under certain circumstances—be entitled to a pension! I am not now advocating this, but it may be a fair question. I don't know.

The subject of "Pensions for Stockholders" could well be one for discussion at conventions and government tax conferences. The Federal Treasury allows corporations to deduct, as an expense, their contributions to Pension Funds for officers and employees. But why not allow this (which means that Uncle Sam now pays 50% of the contribution to a Pension Fund) for faithful stockholder of 20 years standing?

An Important Warning

Without now taking sides in any pension discussion, I must remind corporation officials of this: Since the approval by stockholders should be secured to get pensions for officers and employees, the stockholders could block any pension fund which did not include them, the same as employees can strike for pension plans.

One thing is certain—either we are headed for an unjust and unwise socialistic system, or else greater consideration must be given to both employees, as well as to the stockholders who build the plant, pay for the machinery, and provide the working capital. The present unfair setup, with double taxation of dividends, could ultimately result in unemployment, due to insufficient capital.

Here is one compromise suggestion: After a common stockholder has held stock for 20 years, he could have the option of exchanging it for a preferred stock, which would give him, in part at least, preferred security.

Phila. Bond Club 27th Annual Field Day

PHILADELPHIA, Pa. — The Bond Club of Philadelphia has arranged an elaborate program of tournaments and entertainment for its 27th annual field day to be held Friday, September 26 at the Huntingdon Valley Country Club, Abington, Pa.

The club has appointed eleven committees to insure a full measure of pleasure for members and guests. Chairmen of the various committees are: Harley L. Rankin, Goldman, Sachs & Co., general; William Z. Suplee, Suplee, Yeatman & Co., registration; R. Victor Mosley, Stroud & Co., stock exchange; Walter A. Schmidt, Schmidt, Poole & Co., golf; John C. Bogan, Jr., Sheridan, Bogan & Co., transportation; W. Albert Smith, Jr., Penington, Colket & Co., arrangements; Arthur Horton, Penington, Colket & Co., publicity; Francis M. Brooke, Jr., Brooke & Co., tennis; W. W. Keen, Butcher & Sherrerd, attendance; Robert G. Rowe, Stroud & Co., guests, and Newlin F. Davis, Kidder, Peabody & Co., entertainment.

With Shearson, Hammill

Shearson, Hammill & Co., 14 Wall Street, New York City, members of the New York Stock Exchange, announce that Kosao James Nakayama and Werner Wolff have become associated with the firm as registered representatives. Mr. Nakayama will be in the cotton department and Mr. Wolff in the brokerage division.

Expansion of Natural Gas

By IRA U. COBLEIGH

Author of "Expanding Your Income"

Current comment on this fascinating fuel seeping through 300,000 miles of pipelines, and, in certificate form, into some of our best managed investment portfolios.

Despite the glamor of oil shares on the Exchange, at regular intervals there appear a few Cassandras, wailing that oil is being over-produced domestically, and that when Middle East and South American productions are stepped up in the next two to five years, profitability in oil production will wane. However that may be respecting oil, the natural gas industry appears all boom and no gloom; and the commodity, gas, seems to live up to its dictionary billing—"an elastic air-like fluid tending to expand indefinitely."

Ira U. Cobleigh

Its thermal quality, its low cost and its fantastic supply, have projected it as the fastest growing source of fuel power in America (with the possible exception of atomic energy).

Continuous Market Assured

In regard to quality, natural gas is about twice as good as the manufactured kind. Price-wise, it's cheaper, even after a 2,000 mile pipeline ride, than its locally produced gashouse rival. The comparison with oil is a most interesting one. Laboratory analysis has indicated that roughly 6,000 cubic feet of natural gas produce the same heat energy as one barrel of high gravity oil. But the 6,000 feet of gas cost only 60c at the well-head, as against $2.60 (about) for the oil. Both, of course, must be transported before use, but the fact that oil now costs 4⅓ times as much, should keep building up natural gas markets for years to come.

The third thing I mentioned above was supply. According to a recent report of the American Gas Association, the total of all classes of gas customers is now 25½ millions; and in 1950, 90% of all new homes built in gas franchise areas were equipped with gas furnaces. This is a king-size market, and since some 90% of it is supplied by natural gas, householders who use, and pipelines that supply, the stuff have to be pretty sure there's going to be enough. Well, there is. Not only for this year, but for many, many years to come. There's a paltry 200 trillion cubic feet known to be lurking below-ground right now, and we're finding it lots faster than we're burning it.

Petrochemical Industry

Something else has just come along to animate the production of natural gas — petrochemicals. The gas burned industrially and in homes is usually dry gas, but when the vapor comes out of the ground it has an important liquid content. By draining this off, the dry gas can be sent merrily on its way to the burners of America, and the wet element converted, by wonderful laboratory processes, into fertilizers, nitrates, plastics and the makin's of synthetic fibers like orlon, dynel and dacron. This petrochemical industry is in its infancy, but when such progressive corporations as Union Carbide, Monsanto, American Cyanamid, duPont and Dow have plans for spending a combined total of $290 million for expansion of petrochemical plants this year, you know it's dynamic. All this adds up to continued search for new sources of natural gas, and sustained profitability for the companies that produce it.

Net production of this expanding element is now at the rate of around 7½ trillion cubic feet annually, a volume created partly by specialized gas producers such as Hugoton, Southern Production Company, Chicago Corp., Republic Natural Gas, etc., and, increasingly, by the major oil companies. Of these latter, the biggest known gas reserves are believed to be owned by Humble, Phillips, Cities Service, Standard of N. J. and Standard of Indiana. There's an awful lot of guess work in estimation of gas reserves and only three, I believe, make any official release of calculated recoverable reserves. Of these three, Socony Vacuum's latest report showed 7,400 (billions of cubic feet), Atlantic Refining, 2,180, and Union, 1,360. Students of these "gastimates" seem to feel that, in relation to the outstanding number of its common shares, Pure Oil may have the largest below ground gas supply. If a recent projection of 6,000 billion C. F. is a reasonably correct appraisal for Pure Oil (and no public accountant would certify it), then all you have to do is multiply that batch of ciphers by 3c, and divide by 3,982,031 (number of Pure Oil common shares) and you arrive, quite simply, at the dollars per share value of PY inventory in subterranean vapor. Easy, isn't it? Just to complicate it a bit, Pure Oil also is believed to have 500 million barrels of oil reserves, worth half a dollar each. Repeat the per share division as before, and you'll wind up with over $100 a share in gas and oil reserves, using quite conservative price figures. Bear in mind, however, that the above is pure conjecture and does not relieve you in this (or any other case) from getting the complete current statistical data about any enterprise that challenges your investing interest.

Oil Companies in Favored Position

So much for known reserves. For the future, daily drillings from Tampico to the Athabaska are constantly adding to our gas supply and it's quite apparent that the companies now in line to benefit most from the next growth phase of this industry are the big major oils, mentioned above, which have not up to now contracted for gas sales to any great extent. These have waited, partly to see how far Federal regulation of gas supply would encroach on the States, and partly because they could well afford to wait for the higher prices which are now offered on long-term contracts (some as high as 15c a thousand cubic feet). These companies are favorably situated both because they have the gas to offer, and because they have corraled millions of acres of promising land in oil bearing areas. They possess both the money and the know-how to bring this land into production later on.

North of the border, the Alberta Commission does not yet seem to think there's enough gas to export in quantity, although permission was granted to sell surplus gas from northern Alberta to supply the projected West-coast Transmission Co., Ltd., pipeline to Vancouver and Seattle. However, if successful West Can-

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Good Economic Health Will Pervade the "Fifties"

By A. W. ZELOMEK*

President, International Statistical Bureau, Inc.

Business analyst maintains continued anti-Communist defense spending will sustain business activity on high level. Expects ample raw materials, productive capacity, and supply of labor, with public's needs very high. Declares opportunities for consumers' non-durable goods industries will be as great or greater than in other periods.

Gone is the day when one could project the future strictly on the basis of internal and external statistics alone. Gone is the day when we could project trends strictly on the basis of recurring cycles. Gone forever is the day when we can concern ourselves with the trends within our own four walls.

A. W. Zelomek

The economic analyst today must be cognizant of international as well as domestic political trends. He must analyze international as well as the domestic economic trends. He must also have a good background of the international commodity as well as the domestic commodity. He must be in close touch with the distribution industry as well as with the general public. America's position in the world today is so great that forecasting strictly on the basis of internal tendencies is hazardous and would prove costly.

Therefore, covering the "'50s" is a doubly hazardous job. My approach must of necessity begin with a general statement as to what type of a world we may have to live in. This brings us into the realm of international politics. The following factors with regard to the general level of business activity during the remainder of this decade must be considered.

(a) The risk of a major war will continue to be great;

(b) That if war is avoided it will be only because of the high level of defense spending in the United States.

Barring a major war, cyclical movements of business activity will probably continue. There will be fluctuations in business sentiment and in new orders placed by businessmen. There will be periodic accumulations and liquidations of inventories. Individual commodity prices will continue to reflect shifting relationships between supply and demand.

This will not be an economy totally different from that which we have seen in the past. Minor recessions will occur, but relative to our experiences of the past, they will still reflect a high level of economic activity. Spending for defense at an annual rate of about $40-45 billion a year will be a stabilizing and stimulating factor to our economy. Dollar measures of business activity will probably show an upward trend during the remainder of the present decade.

Letdown Would Be Temporary Or Minor

Nevertheless there are still a great number of reputable economists and analysts who are anticipating either a depression or major recession when defense spending turns down. I repeat that any temporary letdowns will not be comparable to the depression of the "'30s," nor to that of 1896-97. Time will not permit me to explain the whys and wherefores. All I can say is that the Communists would win by default if we should have a depression. Our Government will try to avoid it at any cost.

In my analysis of non-durable goods for the remaining "'50s" I have assumed that disposable income between 1950-60 will show an increase of about 35%-40% and that consumer spending may show an increase of about 30%-35% during the same period.

Spending on non-durables in relation to the total was at a high level during the war. It was considerably above the 1939 level. Obviously this was due to the wartime shortages of durable goods. Buying of better type merchandise as well as more and better food resulted. Spending on non-durables during the 1947-51 period has been sub-normal despite the continued high rate of spending on food. Even with the recorded improvement during the first four months of this year, the ratio of non-durable expenditures to the total was only 66½% as compared with 73.1% in 1939.

Over the period 1923-1951 real expenditures per capita have tended to drift upward through time, relative to real income per capita. For example, real personal income per capita was about the same in 1929, 1937, and 1939, and yet real non-durables per capita were $239 (1939 prices) in 1929, $255 in 1937, and $270 in 1939.

Allowing for this upward trend, it appears that only in 1946 and 1947 were real non-durable expenditures in line with the indicated prewar relation. The postwar years 1948-1951 moved progressively below the prewar relation. In 1951, for example, actual non-durable expenditures per capita were nearly 10% below the value indicated by the prewar relation.

Even though real per capita income increased by 5% from the 1948-1949 period to 1950-1951, real non-durables per capita showed little change; this is in contrast to the prewar period when changes of this relative magnitude in income were accompanied by something like half the percentage in real non-durables per capita.

On this basis, it would appear that for at least two years real purchases of non-durables have not only failed to keep pace with the income increase but also are somewhat below the income expectations on the basis of the prewar projected relation.

Basis of Increased Spending

The basis for my conclusion that consumer spending on non-durable goods such as apparel, boots and shoes, paper, etc., will be at a higher rate than during the past year, is to be found in the following:

There will be an adequate or more than adequate supply of raw materials. Man-made fibers will supplement natural made fibers. The record number of animals on farms throughout the country and the growing livestock population abroad will provide the necessary hides, skins and raw materials. The laboratories will supply all the necessary chemicals for plastics and other related substitutes. Canada's potential supply of wood pulp plus the indicated increased supplies in the Scandinavian countries will also be more than adequate to give us the necessary raw materials for paper and paper products.

Plant capacity to produce consumers non-durable goods has been expanding at a record rate. The total spent for plant and equipment for non-durables dur-

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*A talk by Mr. Zelomek before the Summer Conference of the American Marketing Association, Cincinnati, Ohio, June 16, 1952.

N. Y. Investment Assn. Annual Outing

Announcement has been made of the Sixth Annual Outing of the Investment Association of New York to be held at Sleepy Hollow Country Club on Friday, June 27. Plans call for a dinner and golf tournament. Among the prizes is a two-week trip to Bermuda for two.

John Van Raalte of Goldman, Sachs & Co. has been named Chairman of the Entertainment Committee, assisted by Jack Andresen of Riter & Co. and Joe Lotsch of Reynolds & Co. Golf activities will be directed by Charles Lipscomb of W. H. Morton & Co., while dinner arrangements will be handled by Jack Shephard, also of Goldman, Sachs & Co.

Organized in 1947, the Association's membership of nearly 250 is limited to the younger personnel in Wall Street.

Sitzenstatter Joins Eppler, Guerin Co.

DALLAS, Texas—Norman J. Sitzenstatter, formerly with A. T. Geyer and Co. and Graham, Parsons & Co. in New York, has become associated as Manager of the Trading Department at Eppler, Guerin & Turner, Reserve Loan Life Building. Mr. Sitzenstatter has been identified for many years with leading security Trading Departments in New York. He was Secretary of the Corporation Bond Traders Club in New York and former member of The New York Security Dealers Association.

N. J. Sitzenstatter

J. D. Penick Rejoins Reynolds as Partner

J. Dabney Penick, who has been released from government service, has been readmitted to general partnership in Reynolds & Co., 120 Broadway, New York City, members of the New York Stock Exchange. While in Washington Mr. Penick served as Assistant to W. Stuart Symington, when the latter was Administrator of the Reconstruction Finance Corporation.

Joins King Merritt

BENECIA, Calif. — Masonri H. Iriki is with King Merritt & Co., Inc.

Dealer-Broker Investment Recommendations & Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Commercial Banks—General investment outlook—reprint of address given before the Idaho Bankers Association by Aubrey G. Lanston—Aubrey G. Lanston & Co., Inc., 15 Broad Street, New York 5, N. Y.

Common Stocks—List of suggested issues in current issue of "Gleanings"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y. Also in the same issue is a list of "Business Man's" risk type equities of Lower Priced Shares, and of Growth Stocks.

Fire and Casualty Insurance Stocks—Analysis of 1951 results—Laird, Bissell & Meeds, 120 Broadway, New York 5, N. Y.

Growth, Earning Power, Plow-Back, Diversification and Dividends—Booklet discussing the attractions of insurance securities—John C. Legg & Co., 22 Light Street, Baltimore 3, Md. Also available is a booklet of comparative data on principal **Fire and Casualty Insurance Stocks.**

Over-the-Counter Index—Booklet showing an up-to-date comparison between the listed industrial stocks used in the Dow-Jones Averages and the 35 over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over a 13-year period—National Quotation Bureau, Inc., 46 Front Street, New York 4, New York.

Textile Industry—Study—Bache & Co., 36 Wall Street, New York 5, N. Y.

United States Government Securities—Brochure—C. J. Devine & Co., 48 Wall Street, New York 5, N. Y. Also available is a weekly bulletin giving index of U. S. Treasury issues, banking figures, Treasury receipts and expenditures and municipal bond data.

* * *

Albuquerque Associated Oil Co.—Circular—Stanley Pelz & Co., Inc., 52 Broadway, New York 4, N. Y. Also available are circulars on **Crusader Corporation, Kutz Canon Oil & Gas Co., Oklahoma Oil Company, Sierra Petroleum, Inc., Tri-State Oil & Refining Co.** and **United Oil Corporation.**

American Hawaiian Steamship Co. — Memorandum — Smith, Barney & Co., 14 Wall Street, New York 5, N. Y. Also available is a memorandum on **American Republics Corp.**

Anheuser-Busch, Inc.—Analysis—Cohu & Co., 1 Wall Street, New York 5, N. Y.

Atlantic City Electric—Revised circular—Newburger & Co., 1342 Walnut Street, Philadelphia 7, Pa.

Beech Aircraft Corp.—Data—Abraham & Co., 120 Broadway, New York 5, N. Y. Also available is data on **Eastern Air Lines, Inc.**

Carborundum Company—Bulletin—Terry & Co., 44 Wall St., New York 5, N. Y.

Chicago Corp.—Analysis—H. Hentz & Co., 60 Beaver Street, New York 4, N. Y. Also available are data on **Beaunit Mills, Inc.** and **General Precision Equipment,** and an analysis of **Safety Car Heating & Lighting Co.**

Clark Controller Co. — Memorandum — Fulton, Reid & Co., Union Commerce Building, Cleveland 14, Ohio.

First Bank Stock Corporation of Minneapolis — Analytical study—Paine, Webber, Jackson & Curtis, 25 Broad Street, New York 4, N. Y.

Foote Bros. Gear and Machine Corp.—Analysis—Ferris & Co., First National Bank Building, Dallas 1, Tex.

Given Manufacturing Company—Report—F. S. Moseley & Co., 14 Wall Street, New York 5, N. Y.

Green Mountain Power Corporation—Analysis—Golkin & Co., 61 Broadway, New York 6, N. Y.

Hoffman Radio—Circular—Raymond & Co., 148 State Street, Boston 9, Mass.

Hudson's Bay Company—Data—Kippen & Co., Inc., 607 St. James Street, W., Montreal, Que., Canada.

International Petroleum Company, Ltd.—Analysis—Green & Ladd, Third National Building, Dayton, Ohio.

Kerr-Addison Gold Mines, Limited—Analysis—James Richardson & Sons, 173 Portage Avenue, East, Winnipeg, Man., Canada and Royal Bank Building, Toronto, Ont., Canada.

Kewanee Oil Company—Study—Troster, Singer & Co., 74 Trinity Place, New York 6, N. Y.

M. Lowenstein & Sons, Inc.—Review—Sutro Bros. & Co., 120 Broadway, New York 5, N. Y.

Missouri Pacific—Review—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Oxford Paper Company—Brochure—D. M. S. Hegarty & Associates, Inc., 52 Broadway, New York 4, N. Y.

Richfield Oil—Review—Dean Witter & Co., 14 Wall Street, New York 5, N. Y.

Richmond Eureka Mining Company (lessor to Eureka Corporation, Ltd.)—Analysis—A. G. Edwards & Sons, 501 Lexington Avenue, New York 17, N. Y. Also available is a study of **La Luz Mines Limited.**

Riverside Cement Co.—Analysis and review of the Cement Industry—Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Rosefield Packing Company—Analysis—First California Co., Inc., 300 Montgomery Street, San Francisco 20, Calif.

Standard Commercial Tobacco Company—Bulletin—Englander & Co., 115 Broadway, New York 6, N. Y.

Tennessee Corporation—Analysis—Stanley Heller & Co., 30 Pine Street, New York 5, N. Y.

Texas Eastern Transmission Corporation—Analysis—First Securities Co. of Chicago, 134 South La Salle Street, Chicago 3, Ill.

COMING EVENTS

In Investment Field

June 20-22, 1952 (Minneapolis, Minn.)
Twin City Security Traders Association annual summer outing "Operation Fishbite" at Grandview Lodge on Gull Lake.

June 20, 1952 (New Jersey)
Bond Club of New Jersey annual outing at Rock Spring Club, West Orange, N. J.

June 21, 1952 (New York City)
New York Curb Exchange Floor Clerks Association annual outing at Pleasant Plains, Staten Island.

June 27, 1952 (Cleveland, Ohio)
Cleveland Security Traders Association summer outing at the Westwood Country Club.

June 27-29, 1952 (Coronado, Cal.)
Security Traders Association of Los Angeles annual spring outing at the Hotel del Coronado.

June 27, 1952 (New York)
Investment Association of New York annual outing at the Sleepy Hollow Country Club.

June 27, 1952 (New York City)
New York Security Dealers Association annual outing at Hempstead Golf Club, Hempstead, Long Island.

June 27, 1952 (Philadelphia, Pa.)
Investment Women's Club of Philadelphia annual party in the Mirage Room of the Barclay Hotel.

June 28, 1952 (Chicago, Ill.)
Bond Traders Club of Chicago summer party at the Chevy Chase Country Club.

Aug. 22, 1952 (Denver, Colo.)
Bond Club of Denver - Rocky Mountain Group of IBA Summer Frolic at the Park Hill Country Club.

Sept. 19, 1952 (Chicago, Ill.)
Municipal Bond Club of Chicago annual field day at the Knollwood Country Club.

Sept. 26, 1952 (Philadelphia, Pa.)
Bond Club of Philadelphia annual field day at the Huntingdon Valley Country Club, Abington, Pennsylvania.

Sept. 28-Oct. 1, 1952 (Atlantic City, N. J.)
American Bankers Association Annual Convention.

Oct. 5-7, 1952 (San Francisco, Calif.)
Association of Stock Exchange Firms Board of Governors Fall meeting at the Mark Hopkins Hotel.

Oct. 8-10, 1952 (Los Angeles, Calif.)
Association of Stock Exchange Firms Board of Governors Fall meeting at the Ambassador Hotel.

Oct. 19, 1952 (Miami, Fla.)
National Security Traders Association Convention at the Roney Plaza Hotel.

Nov. 30-Dec. 5, 1952 (Hollywood, Fla.)
Investment Bankers Association Annual Convention at the Hollywood Beach Hotel.

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Expansion of Natural Gas

ada drillings continue at the present rate so much gas may be brought forth shortly that export (and pipelines) to the South and East will seem a lot brighter solution to the gas problem than capping wells.

Time today will not permit extensive discussioin of the pipelines (treated in an earlier "Chronicle" article, "It's A Pipe," May 3, 1951) except to say that companies like Tennessee Gas Transmission, El Paso, Northern Natural Gas, Transcontinental, and United seem to be gaining investment stature with each passing day; and they are kind to their stockholders.

Western Natural Gas

There is one producing company not mentioned earlier which, I find, has gained considerable acceptance among investment trusts—Western Natural Gas. As of March 31, 1952, common shares of this enterprise were reportedly held as follows: Lehman Corp., 25,700; Newmont Mining, 18,000; Incorporated Investors, 36,000; Massachusetts Investors Second Fund, 11,000.

For a stock selling at 64, and without benefit of any dividends to date, such sizable holdings suggested to me the possible existence here of impressive growth factors. A producer of oil and natural gas with principal wells in New Mexico, Texas and Kansas, Western has long-term gas sales contracts with El Paso, Cities Service, Chicago Corp., Transcontinental Pipe Line and Tennessee Gas Transmission. For the 12 months ended Nov. 30, 1951, operating revenues increased some 86%, with net per share at $1.07 against 31c for the preceding year.

The latest report to stockholders of Western is for the year ended May 31, 1951. This is "must" reading if this enterprise intrigues you at all. Listed there are the present producing wells and details of sales contracts with a distinguished list of pipe line and industrial buyers. Capitalization is straightaway, $9,950,000 funded debt, 2,053 shares of $100 preferred, and only 1,149,495 shares of common of which the largest single block (311,816 shares) is locked up in the El Paso Natural Gas Co. treasury.

In view of the powerful countrywide demands for natural gas and its byproducts, the ample continuity of supply, and the favorable price relationship of this fuel with its competitors, the expansion of natural gas appears not only to be a physical verity, but a pleasing economic phenomenon.

Continued from page 5

Can West Do Business With the Kremlin?

otherwise. For example, as British officials have reported, in the so-called agreement between the United Kingdom and Czechoslovakia, apart from certain metals to be exported to Prague, metals which she had already been informed were unavailable, the goods listed for exchange by both sides are in volume and type precisely the same as those provided for in the Five-Year Anglo-Czech Trade and Finance Agreement.

Surely no accretion to East-West trade is to be expected via the Moscow-conference-technique.

In addition to the Kremlin-dictated anti-trade intentions, the limitations arising from the Western nations must be included. Supplies of strategic value cannot be shipped to the Eastern countries. While the West sincerely wants to take advantage of every opportunity for increasing world trade, they cannot, of course, do so at the price of their national security. And then there are foreign exchange obstacles. In the case of Great Britain, for example, her balance of payments situation with the impossibility of buying more than she can afford imposes severe restrictions on imports. And these two restrictions by the West are interacting: the embargo on strategic exports entails and aggravates the foreign exchange reserves scarcity.

In any event, and irrespective of where the fault may lie, there can be no doubt of the negative answer to the query, "Can the West do business with Stalin?"

Smith Joins Reynolds

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — Harold P. Smith has become associated with Reynolds & Co., 39 South La Salle Street. Mr. Smith was previously with Glore, Forgan & Co. and Hicks & Price. Prior thereto he was with the Continental Illinois National Bank & Trust Company.

Newhard, Cook Adds

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo. — Elmer L. Rehmer has become affiliated with Newhard, Cook & Co., Fourth and Olive Streets, members of the New York and Midwest Stock Exchanges. Mr. Rehmer was formerly with Metropolitan St. Louis Company.

Two With Morgan & Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Joseph H. Collins and Howard F. Millett have become affiliated with Morgan & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange. Mr. Collins was previously with Paine, Webber, Jackson & Curtis.

Joins Oechsel, Mudge

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — Leigh B. Freeze has joined the staff of Oechsel, Mudge & Co., 210 West Seventh Street. He was formerly with G. Brashears & Co. for a number of years.

Reflation—The Next Round

By ELIOT JANEWAY
Economic Consultant

Economist cites as factors making for reflation: outbreak of a protracted two-front "war season"; flareup of strikes; public's fear of higher prices; breaking of procurement log-jam; and politically-dictated increased spending.

Reflation is in the making now. Here is a summary of the factors combining to set it in motion:

(1) *The "War Season"* is here again, and it has become as potent and as unmistakable a pattern-setting factor in the economy as Christmas and Easter. This year business has failed to meet its normal seasonal tests. Consequently, psychology has slumped more severely than sales. Underlying and intensifying the depression in psychology and the depression in sales has been the "defense depression." But now the "War Season" is serving notice more eloquently than any argument can that the defense boom must start up again—or, to be precise, that the defense boom anticipated by the 1950-51 speculative buying-and-tooling boom must at last begin. (Note: War II's "War Seasons" were confined to Western Europe, and their impact was felt after Decoration Day and after Labor Day. As it happens, the Korean "War Season" coincides with the German, and the Indo-Chinese season begins after Labor Day, which forecasts a protracted two-front "War Season" fully capable of driving both the political conventions and the World Series out of the headlines.)

Eliot Janeway

(2) *The "Strike Season"* is coinciding with the "War Season," and strikes—especially successful ones—unleash powerful counter-deflationary forces. (Note: recall the paralyzing strikes of 1946, which contributed substantially to the resolving of the depression-or-prosperity question of that time into 1947's definitive prosperity.) 1952's "strike season" is still in its first stage—coal, copper, aluminum and electrical equipment have yet to be heard from. Its full impact is certain to:

(a) Deflate inventories;

(b) Turn present worry over high inventories into relief because, after months of liquidation, inventories are still so high;

(c) Multiply the representative yard-stick of "normal" or "safe" inventory;

(d) Inflate the cost of replacing inventory now subject to over-liquidation or imbalance;

(e) Raise wages *before* reflation begins;

(f) Restore sellers to control of the market *before* reflation begins, thus making price increases possible and inescapable for the first time this year.

(NOTE: If not for the labor dispute, the steel industry would have become involved in a price war, and the strike has been needed to permit the tripartite negotiation to raise prices: other industries in or on the verge of price wars are about to reverse abruptly, following steel into the next round of wage-and-price increase);

(g) The illusion of decontrol will be forgotten; and

(h) Revival of the defense boom later this year will revive overtime and multiple employment per family on the basis of the *new* wage scale, thus inflating income more than either a normal round of single-shift wage increases or a revival of overtime and war work without a "new round" could.

(3) *The "Price Stalemate"* is about to be resolved on the upside. Hope of lower prices will never stimulate buying, but fear of rising prices will never fail to. Hope of lower prices, to borrow a political analogy, has been winning 1952's opinion poll, but fear of rising prices will win by the end of the "War Season" and the "Strike Season." Adding fuel to the reflationary fire will be the growing realization (among individuals as well as businesses) on the one hand, that reflation warrants re-buying; but, on the other hand, that, first, strikes and, then, re-tightened controls prevent re-buying and/or make it cost more.

(4) *The "Procurement Log-Jam"* is about to break. Our distorted, or "mixed," economy is subject not only to the impact of the "War Season" and the "Strike Season," but to the stopping-and-starting of a three-horse merry-go-round. Its working is described simply: when the procurement buyers buy, they over-buy; and, when they over-buy, so do our business buyers; and, when our business buyers over-buy, so does everybody. The opposite is just as true, and it has been true during the months of liquidation of 1950-51's universal over-buying. Another correction—on the upside—has now begun, and its reflationary impact is about to be loaded onto that of the other reflationary factors at work. Specifically, procurement appropriations are broken down into "No Year" (long lead time) funds and "This Year" (short lead time) funds. We are now in the last month of a fiscal year during which under-buying of short lead time items has accumulated significant sums of "This Year" funds. but because the initial appropriations for fiscal 1953 are so low, and because the Congressional pressure for economy (especially in cases where appropriations are unspent) is so great, the Armed Forces are determined to return a minimum of "This Year" funds to the Treasury by July. Consequently, June disbursements — in some cases in the form of advance payments on present estimates of fiscal 1953 requirements—will rise significantly over the rate of recent months; and this at a time when tax collections will be lowered by cessation of withholding taxes due to strikes and shutdowns, by reductions of withholding taxes due to slippage in the work week and by the failure of tax collections from business to meet Treasury expectations due to the decline in earnings.

Inflation A Scissors

(5) *The Government's spending-collecting stalemate* will be broken on the spending side. Inflation should be viewed as a scissors: the inflationary gap narrows or widens with the movement of the spending blade and the collecting blade. Thus, the inflationary gap can widen when spending declines—if collecting declines more. The most violent inflationary impact occurs when the spending rises and collecting falls. This is happening in June—simultaneous with the shutdown of steel production and the change in psychological attitude towards the war danger and the defense spending outlook. And this June's recurrence of inflation is no 30-day wonder. On the contrary, it is the barest beginning. Two facts assure a tremendous inflationary impact in fiscal 1953:

(a) Some $60 billion of the "No Year" funds obligated since the outbreak of the Korean War will be paid out in fiscal 1953—this will clear up the mystery surrounding the question, Where is the money?, even though it will not clear up the parallel mystery over where are the planes? (Note: Fiscal 1953 tax collections will lag far below the level of spending due to the slump in business earnings.)

(b) The present appropriation for fiscal 1953 is going to be hopelessly inadequate—no matter how much of the budgetary cut is restored. For one thing, the economy budget presented made no provision for the cruel cost of the new trouble in Korea, which seems to be indicated. This means that, exactly as happened during the corresponding months of 1950, an arms budget inadequate to support required field operations plus armament will have to be inflated during the new fiscal year by substantial amounts. Specifically, Congress will have to pass supplemental appropriations for the Armed Forces during the coming fiscal year, and this will widen the fiscal 1953 inflationary gap still further.

Each of these factors would suffice to turn 1952's "Defense Depression" into the next round of arms - and - speculative inflation. All of them together will speed and intensify reflation.

The possibility that a representative section of opinion—in business, in government, in the press and among consumers—may cry "Wolf, Wolf" in the face of the clear and present danger which is growing with Soviet strength, merely suggests that skeptics will learn the expensive way—as the child in the fable did. What is more likely, however, is that all contestants in the political campaign will outdo one another in discovering the danger due to our lack of arms; and in promising to produce all of everything as fast as lost time can be made up. To all the above factors making for reflation, in sum, there should be added the factor which is more inflationary than any except war itself—politics. The "Political Season" is at hand too.

Phila. Inv. Women to Hold Annual Party

PHILADELPHIA, Pa.—The Investment Women's Club of Philadelphia will hold their fourth annual June "Open House" party in the Mirage Room of the Barclay Hotel on Friday, June 27, from 6 to 10 p.m.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

LINCOLN, Neb.—Ernest Yung is now connected with Waddell & Reed, Inc., Continental National Bank Building.

Levine, Frank & Co. NYSE Firm to Open

On July 1 the New York Stock Exchange member firm of Levine, Frank & Co. will be formed with offices in the Saxony Hotel, Miami Beach, Fla., and at 60 Beaver Street, New York City. Partners will be Harry D. Levine, who will make his headquarters in Miami Beach, and Spencer W. Frank, Exchange member, general partners, and Edna K. Levine, limited partner. Mr. Frank has recently been doing business as an individual floor broker and prior thereto was a partner in Faroll & Co.

Verace & Co. to Be Formed in New York

Victor Verace, member of the New York Stock Exchange, and Joseph Weinberg will form Verace & Co. with offices at 52 Broadway, New York City, on July 1. Both are partners in John E. Miller & Co., which is being dissolved on June 30.

With Inv. Service Corp.

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Corwin S. Bess is now with Investment Service Corporation, 444 Sherman Street.

Joins Paul A. Davis

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—June R. Crossett has become affiliated with Paul A. Davis & Co., Ingraham Building.

American Way of Life and U. N.

By O. R. McGUIRE*
Attorney, Washington, D. C.

Prominent Washington attorney traces development and aims of our constitutional system, and asserts despite its complexities and inefficiencies, it is not out-of-date, and still preserves individual equality and liberty. Says United Nations Organization cannot be reconciled to our American way of life or the Constitution, and "it is certainly not a union of the nations of the world." Holds U. S. membership in the UN can destroy Bill of Rights and other constitutional guarantees. Warns of trends toward socialism and communism.

The American Way of Life as it was conceived by our forefathers is indeed of ancient origin. Looking back over the recorded history of some 5,000 years, the representatives of the diverse populations of the original Thirteen Colonies, who assembled in Philadelphia in 1776, epitomized their conception of what they hoped the American Way of Life would be in the noble words of the Declaration of Independence:

O. R. McGuire

"We hold these truths to be self-evident; that all men are created equal; that they are endowed by their Creator with certain unalienable rights; that among these are life, liberty and the pursuit of happiness. That to secure these rights, governments are instituted among men, deriving their just powers from the consent of the governed."

These forefathers of ours, from whose inspiration came the Declaration of Independence and whose deathless valor made that Declaration good on battlefields from the Plains of Abraham to the swamps of South Carolina, were Godfearing people. They knew the record of the heartless, ruthless and bloodthirsty Herod, as the head of an all powerful government, ordering the destruction of every male child in the hope of destroying the infant born in a manger at Bethlehem and hailed from the skies as the savior of mankind. They, too, knew full well of His death on the cross in vindication of the verity that all individuals are created equal before our God and that each has a personal responsibility for his own eternal salvation or eternal damnation. This individual dignity, worth and responsibility of man, under the grand scheme of the Ruler of the Universe, was unknown until the man of Gallilee began His ministry. It was not made a tenet of secular government for more than 17 centuries, during which mankind wandered in the wilderness of totalitarian governments. It was a long, long journey from Calvary to Independence Hall in America — but the men and women of the Revolution made the journey. Pilgrim, Puritan, Quaker, Catholic and those of the several evangelical faiths, Englishman, Frenchman, Dutchman, Swede, Spaniard, all ever mindful of their personal dependence upon their Maker, fell upon their knees when their feet touched American soil and gave thanks to their God for His goodness in permitting them to reach these shores. They severally came here seeking a land in which they might live a life of dignity, worth and responsibility with their God and finally, in time, they created a government to protect each and all in such a life.

These forefathers of ours builded slowly; they did not seek to build here an Utopia; they had no model among all of the governments of past history which they could use; and in many instances it required generations, from 1609 to 1776, for them to become tolerant of those of different religious faiths and nationalities, though in a few instances tolerance prevailed from the outset, notably in Maryland, Rhode Island, and Pennsylvania. So comparatively rapid had been that growth in mutual tolerance and in the belief that secular governments should respect individual worth, dignity and responsibility that they came together, with both fierceness and deep humility in their respective hearts, to repel the attempts of England to impose on them the governmental regimentations then prevailing under all powerful governments, not only in England but throughout the known world.

For the first time since the dawn of recorded history these forefathers of ours threw at the startled rulers of all powerful governments, in which the ordinary individual was but a pawn of kings and emperors, having no rights their rulers were bound to respect—a document solemnly declaring that all governments among men derived their just powers from the consent of the governed and that such governments existed to secure the equal rights received by the people from their Creator to life, liberty and the pursuit of happiness. We of this day little realize the shock with which the rulers of Europe received such revolutionary doctrines from the American wilderness. This indictment of despotic governmental power sought to be imposed on the American colonists and the statement of the unalienable rights of men bestowed by their Creator was no mere pious resolution; to its vindication the signers solemnly pledged to each other their lives, their fortunes and their sacred honor. Many of them lost both their lives and their fortunes, but none of them lost his sacred honor in making good that Declaration of Independence on the field of battle.

After some eight long years of war, the victory was won despite the hunger and cold our forefathers had to endure and despite the fact that a considerable number of their fellow Americans turned Tory and would not support, but vigorously opposed, the Declaration of Independence. So jealous were the victors of their liberties and so fearful were they that any central government would jeopardize such liberties that they tried to get along with the Congress of the Confederation, rightly referred to as that "Rope of Sand." The Articles of Confederation proved to be too weak to protect the people. Their representatives again journeyed to Independence Hall where they wrote, adopted, and recommended the approval by the people of the Constitution of the United States. This great document in the history of human liberty stated its purposes in a Preamble, in noblest words of the English language save only those of Holy Writ and the Declaration of Independence. These are the words of the Preamble:

"We the people of the United States, in order to form a more perfect union, establish justice, insure domestic tranquility, provide for the common defense, promote the general welfare, and secure the blessings of liberty to ourselves and our posterity, do ordain and establish this Constitution of the United States of America."

When this new Constitution went under consideration in the several thirteen States for ratification or approval, the representatives of some of the States were not satisfied that the just powers of the government to be established thereunder would protect the life, liberty and happiness of individual citizens from the rapacity the people knew had existed in all rulers, whether ruling by claimed Divine Right or by consent of the governed. They knew, too, that the greatest problem of all government is to make it strong enough to control the governed and yet weak enough to control the governors, the rulers. Therefore, there were proposed as amendments to the Constitution further protection for individual rights and these ten amendments became a part of the Constitution as our Bill of Rights.

Complexities No Excuse for Abandoning Our Constitutional System

It has been stated, and truly, that our American government is in form a veritable lattice work of barbed wire entanglements thrown around every governmental official in the land and intended to prevent them from using their necessary tools of government to destroy what they, as servants of all the people, have been hired to preserve. Our forefathers sought to make sure that the rights of any individual could be maintained against other men who would subvert such rights, and they also made sure that these same rights could be asserted and maintained at all times against the power of government itself. These forefathers knew that it is the nature of every government to resent and resist this last assertion by the individual of his rights against the government as an affront to its sovereign dignity. Therefore, the architects of our governmental system tied it down into its proper place—the exercise of just powers by the consent of the governed—by a system of strong checks and balances. In addition to the Bill of Rights and the limitations in the Constitution on the power of the Federal government, these founding fathers limited the Federal government by the state governments and the state governments by the Federal government. Also, they limited each of the three branches of both the Federal and state governments by the other two branches of each government.

Is it any wonder that some, even in high places, have sneered at our form of government as a relic of the horse and buggy days and that the eager-beavers, who know little about and care less for the history of our constitutional system, would streamline it so that it could render more prompt and efficient public service—along the lines of the governments presided over by tyrants since time began. These eager-beavers, and I use the word interchangeably in this connection for the shorter world "fools," argue that their streamlined government would have the protection of frequent and free elections. The answer is that in the hands of totalitarians elections are neither free nor frequent. I call to witness Italy under Mussolini; Germany under Hitler; Russia under Lenin and Stalin; and last but not least, England under the socialists. The American form of government has existed alongside these foreign governments for many years. You may make your choice. In the meanwhile, you may continue to pay from 25% to 95% of your income in taxes to be used in part for further American relief under new and more generous, or disguised "Marshall Plans" for England and the other misnamed "democratic" nations of the world! How that word "democratic" rolls off the tongues of our learned and distinguished diplomats and politicians, even when they refer to Communistic Russia!

Ours is a republican form of government, not a democratic form of government—despite the efforts of pollsters and others to

Continued on page 34

*An address by Mr. McGuire, delivered to the Continental Congress of the Daughters of the American Revolution, Washington, D. C.

LETTERS TO THE EDITOR:

Some Additional Comments on "Our Dwindling Sovereignty"

Provision made in today's issue for additional comments on J. Reuben Clark's article in which former Undersecretary of State and Ambassador to Mexico criticized our policy of alliances with European powers, including membership in the United Nations, as main cause of diminishing sovereignty of the United States. Tracing American foreign policy from days of Washington and Jefferson, Mr. Clark argued that departure from our original policy of isolationism was responsible for our involvement in European conflicts.

In our issue of May 29 and June 5, on page 3, we published a number of letters received in connection with the views expressed by J. Reuben Clark, Jr. in the article "Our Dwindling Sovereignty" which appeared on the cover page of the "Chronicle" on May 8. We are able to accommodate today some of the additional communications that have come to hand and these are given further below.

Relative to Mr. Clark's paper, it may be noted that the former Undersecretary of State and Ambassador to Mexico, and presently Director of the Equitable Life Assurance Society and of Western Pacific Railroad Co., contended that the policy of non-entanglement in European affairs, initiated by Washington and abided by during the first century and a quarter of our history, made possible the great development of America—politically, industrially and economically. Conversely, he asserted, we would never have achieved our pre-eminent status "under the policies—domestic and foreign—which now dominate us."

Actually, said Mr. Clark, the departure from our former policy of isolationism and abstention from entangling alliances caused our involvement in European conflicts and is responsible for our constantly diminishing sovereignty. As a result of our membership in the United Nations, Mr. Clark averred, we have lost the power to determine our own course in world affairs and have impaired our sovereignty in three great fundamental matters: "the right to make treaties; to manage our foreign affairs; and to declare war (subject to our temporary right of self-defense), to choose our enemy, to direct and command our armies, and to make such terms of peace as we may desire or be forced to accept."

As previously noted, the "Chronicle" has received many letters commenting on the views expressed by Mr. Clark, some of which were given in the issues of May 29 and June 5. Additional communications follow:

H. G. BIXBY
President, Ex-Cell-O Corp.

Although Mr. Clark's point of view is at variance with what I feel our policy with regard to foreign affairs should be, it did, no doubt, do me good to read an analysis of this nature.

Mr. Clark's paper was well done and surely his conclusions do have some merit. However, I feel the world has grown too small to permit our remaining isolated.

L. F. McCOLLUM
President, Continental Oil Co.

I have read with interest the article by Mr. J. Reuben Clark, Jr., which appeared in the May 8, 1952 issue of your good publication. There are great differences of opinion on this country's foreign policy and it is helpful to get acquainted with various approaches to the problem.

JOHN T. BEATTY
President, United Specialties Company

I certainly wish to congratulate Mr. Clark on the sound stand he has taken. I am with him every step of the way, except one further: I think we should get out of the United Nations.

John T. Beatty

People sometimes ask me why I can't be for something, but I say to them that nothing would please me more provided the current Administration would align themselves with constitutional government as laid down by the country's founders. I also say that I am not ashamed to say "No" because the Constitution, like the Ten Commandments, is largely a document of prohibitions.

G. C. WHIPPLE
Manager, Foreign Dept., The Quaker Oats Company, Chicago 54, Ill.

I only wish that every young man and woman in this country could read Mr. Clark's article.

I am not only concerned with our dwindling national sovereignty but also with the concentration of power in Washington and the losses of sovereignty to our various states. Loss of sovereignty was one of the reasons why I personally opposed the adoption of the Havana Charter of the I. T. O.

I just wish there were a lot more people like Mr. Clark, telling the people the truth about the situation that confronts our country.

ALBERT N. LEMAN
McClure Newspaper Syndicate, New York City

I read J. Reuben Clark's recent foreign policy paper with great interest. I'm inclined to agree, in principle, with his comments and conclusions, but feel we are far too committed to ever again be able to achieve isolation.

The Outlook for Banking

By J. L. ROBERTSON*
Member, Board of Governors, Federal Reserve System

Reviewing problems of contemporary banking, Reserve Governor stresses need for vigilant internal audit system, careful scrutiny of loans, and an adequate and safe capital structure for banks. Scores "ballyhooing" of consumer debt, and asserts Federal Reserve is in better position than ever before to assist member banks in need. Holds Federal Reserve has been restored to its traditional power in expanding and contracting reserves for moderating monetary and credit swings.

One cannot contemplate the outlook for banking without taking into account much more than banking alone. Every generation of Americans has had its problems, but those we face today—now that this nation has become the leader of the free world—seem even more complex and intractable than those which beset our forefathers. Never have the spiritual, ethical, and moral values which are the foundations of the civilized world, or the institutions of free men, which give expression to those values, been so threatened. Never has any generation had greater need to protect and preserve those standards and institutions. Never has the banking community had a greater responsibility for playing its full part, in leadership and enlightenment, so that our economy may continue to be strong and flourishing.

J. L. Robertson

The difficulties must not be underestimated. At the same time, they should not be looked upon as hopeless. We must appreciate the magnitude of the job which faces us, decide what part each of us can best play in solving it, and then start working harder than we have ever worked before—always aiming toward greater reliance on individual thought, initiative, action, and responsibility, and less dependence on governmental aid and governmental controls.

The part the banker must play is twofold, I think, one role involving what may be termed self-interest, and the other public duty. Dealing with them in that order, let me mention just three phases of his "self-interest" role:

I
Defalcations

We all agree that experience is a valuable thing, but often it is acquired at too high a price. In many circumstances it is a much better bargain if it can be obtained secondhand.

When I appeared on this same platform a few weeks ago, I mentioned to another group of bankers that one of the duties of bank directors was to insist on a vigilant internal audit system in their banks. At that time I commented on the tendency of some directors, who are "too busy" to come to the bank during an examination, to blame examiners for failing to discover shortages. I pointed out that if those same directors were to take the time to discuss the matter with an examiner, they could readily ascertain that bank examiners are not auditors, that bank examinations are not audits, and above all, that they, the directors, have the responsibility for seeing that a good internal audit system is maintained.

At that meeting I was introduced by a good friend of mine who since then has discovered that for five long years he had worked side by side with a Vice-President who had systematically embezzled nearly a half million dollars from his bank. All of us can appreciate the jolt of such an experience—the sudden discovery that one of our associates (often the one least subject to suspicion) had been dishonest. There never was a better example of how dear an experience can be, and how much better it would be to get it secondhand.

Pennsylvania bankers have not been free from such experiences. But out of it all comes one beneficial aspect. There have been bank defalcations as long as there have been banks, but there has never been a time when so many banks and bankers' associations have tried so diligently to see that their experience henceforth comes secondhand. The discovery of an unrespectable number of embezzlements in a fairly concentrated area has awakened bankers all over the country to the need for establishing adequate internal audits and for making them effective, not only for the large banks, but also for the small ones—where the job is much more difficult.

The Pennsylvania Bankers Association, along with the American Bankers Association and others, is entitled to commendation for its activities in this field. I can remember when it seemed as though just a few of us were soloing on this theme, but now a whole chorus has warmed up, and the results are certain to be beneficial. It is refreshing to see this development after the initial lifting of eyebrows (and worse) at bank supervisors, as though they had been accomplices, and the allegations that the supervisors were attempting to pass the buck whenever they emphasized the responsibility of officers and directors to prevent and detect dishonesty. Now, for practically the first time, we are buckling down to the task ahead of us—irrespective of who is to blame—and woe to the defaulter! In these efforts you will have the wholehearted cooperation of the entire Federal Reserve System.

II
Loans

Turning to the field of loans, one bumps headlong into another example of how much better a "buy" experience can be if it is obtained secondhand. Many lending officers today have operated only under fair weather conditions. They did not go through the harrowing experience of those who operated our banks in really trying times. But if they are alert enough, they can get the benefit of that experience secondhand, and the price they pay in time and effort will be modest indeed. They can acquire a great deal from colleagues with a generation of executive experience behind them—and perhaps even a little from the slowly accumulated wisdom of bank supervisors. To utilize it properly calls for self-discipline and the exercise of a high degree of prudence in making loans, in setting their terms, in selecting and perfecting the instruments, and above all, in policing them.

Loans are almost never bad when made. They become bad after it is too late to rest the terms, redraft the instruments, redetermine the potential ability of the borrower to repay. Any banker who went through the late twenties and early thirties is painfully aware of that fact. Add to it the fact that there isn't any man living today who can with certainty tell you what the economic conditions of tomorrow will be—the best he can do is to say that the economy may swing up or may swing down, and whichever way it goes, someone is going to be hurt.

Certainly this is a time that calls for exercise of wisdom and care, to be prepared for whatever the future may hold. Now is **not** the time, if ever, when bankers should be granting or buying consumer loans which are amortized more slowly than the depreciation of the article purchased. Now is **not** the time to make loans for the purchase of things in which the purchaser has no equity. Now is **not** the time for increasing loans for nonproductive purposes.

No longer can a prudent banker conduct his operations on an isolated basis, without regard to what is going on around him in the rest of the country. Today the activities of each individual bank play a significant part in determining the course of the economy itself—in determining the value of the dollar in your pocket and mine. The banker must gear his activities accordingly. For example, he must assure himself that the loans he grants will make for economic health in the long run. He must not let his natural and proper desire for profit lead him into the position of trying to get people into debt beyond their depth—on the theory that a beneficent government will not let him fail.

Consumer debt, especially, is being ballyhooed to the point where many families have loaded up with televisions, radios, electrical devices of all kinds, not because they could afford it, but because not to do so has even been stigmatized as a sign of "failure." Just the other day I heard an announcement on the radio like this:

"Dad, you are not playing fair with your children if you don't buy them a television—and a 20-inch one, too. You want them to know you are as good as your neighbors, don't you? If you have a television set now, you can use it as a down payment. If you don't, you don't need a down payment. And if you feel burdened down already by debts and taxes, well don't let that bother you either. Just drop in to ————'s and they'll see that you get one—the very best—for as little as 25 cents a day. Now hurry, hurry, hurry down."

I wonder who will hold Dad's note? Well, about 41% of all consumer instalment paper is held in our commercial banks. And if you bankers don't care about terms or ability to pay, you can be very sure many sellers won't.

One more word on this phase of your role. Everyone knows, I suppose, that the most successful banker keeps his customers by giving that extra measure of service that the competitor down the street does not give. He cannot give that service unless the return on loans is realistic — unless it covers costs and permits a reasonable margin of profit. If he cannot see his way clear to match a competitor's low rate of charges on loans or high rate of interest on deposits, he does not try to follow. He concentrates on the development of high-quality service and intelligent banking and sees that his customers are made aware that that type of banking service costs money and that his interest rates are fair and reasonable.

Any examiner worthy of his commission knows that the easiest way for a bank to lose out in the competitive race — still the keystone of our economy—is to charge too little, pay employees too niggardly, let equipment run down and service diminish. Few people want to deal with an unprogressive, worn-out institution—especially one in which there is no evidence of competent young men and women being trained to replace those at the top, and thus

Continued on page 31

*An address by Mr. Robertson before the Pennsylvania Bankers Association Convention, Atlantic City, N. J., June 2, 1952.

Missouri Brevities

The Empire District Electric Co. on June 3 filed a registration statement with the SEC covering the proposed issuance and sale of 150,000 shares of common stock (par $10) through a group of underwriters to be headed by The First Boston Corp., of New York, and **G. H. Walker & Co.**, of St. Louis. The price and other terms will be filed by amendment. The net proceeds from the proposed sale will be applied towards the company's construction program which is estimated to cost about $14,000,000 in the years 1952 through 1954.

* * *

Elder Manufacturing Co., St. Louis, for the year ended April 30, 1952, reported an operating profit of $469,765 and a net income amounting to $223,038 after deduction of the Federal taxes. This compares with $1,067,551 and $592,370, respectively, for the previous fiscal year. Current assets at the close of April 30, 1952, were $5,395,895, as against current liabilities of $1,033,401.

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Scherck, Richter Co. has issued a circular on the "Natural Gas Industry."

* * *

Directors of **Prugh Petroleum Co.** declared an initial dividend of 5 cents a share on the common, payable June 30 to holders of record June 16. President W. B. Prugh said an extensive improvement and development program has been under way for several months on a group of 15 producing oil leases in Barton County, Kansas., in which the company owns an interest jointly with Oklahoma-Texas Trust. Since the start of the project, two new producing wells have been drilled and one dry hole has been encountered. Several old wells have been reworked to increase the production of oil, he said.

Geology tests indicate up to 20 drilling locations on the leases and with all necessary finances available, work will continue as rapidly as possible.

The recent oil strike has had a minor adverse effect on income and has caused some delay in development work, but conditions now are about at normal. The management expects to discuss the possible establishment of a regular dividend policy in early September.

* * *

The annual report of **Pickering Lumber Corporation** showed net income for the fiscal year ended March 31 was $2,023,861, equal to $2.11 a common share, compared with $2,257,559, or $2.36 a share, a year before. Net sales for the year were $8,625,696, against $8,325,924.

The company had current assets of $4,087,494 and current liabilities (including provision for taxes of $1,465,765) of $1,774,088. After payment of $2,485,907 in dividends and appropriation of $200,000 to reserve for contingencies, the earned surplus was reduced to $1,112,704.

* * *

The following Missouri investment houses were included in the nationwide group underwriting an issue of 2,271,300 shares of Pacific Gas & Electric Co. common stock (par $25) at $30 per share, which are being offered for subscription by Pacific Gas common stockholders of record June 10 in the ratio of one new share for each five shares held, with rights to expire on July 2: **Dempsey-Tegeler & Co.; Newhard, Cook & Co.; Reinholdt & Gardner; Smith, Moore & Co.; Stern Brothers & Co.;** and **Stix & Co.**

* * *

Declaration of a common dividend of $4.50 a share by directors of **Kansas City Structural Steel Company** was announced. This brings the payments for the first six months to $6. The regular quarterly preferred of $1.50 a share also was voted. Both dividends are payable July 7 to holders of record June 25.

* * *

Included among the group of investment houses underwriting the offering to common stockholders of Northern States Power Co. (Minn.) of 1,108,966 additional shares of common stock (par $5) at $10.50 per share are the following Missouri bankers: **Edward D. Jones & Co.; Uhlmann & Latshaw, Inc.; Stifel, Nicolaus & Co., Inc.; Stix & Co.; McCourtney-Breckenridge & Co.; Metropolitan St. Louis Co.; Prescott, Wright, Snider Co.; Taussig, Day & Co., Inc.;** and **Smith, Moore & Co.** Warrants were issued to stockholders of Northern States Power Co. of record June 5, and they will expire on June 23.

* * *

Newhard, Cook & Co. and **Reinholdt & Gardner** participated in the public offering on May 27 of $55,000,000 National Steel Corp. first mortgage 3⅛% bonds, due 1982, at 99.75% and accrued interest.

* * *

The consolidated report of **Associated Telephone & Telegraph Company**, controlled by Theodore Gary & Co., showed 1951 net income of $4,650,928, compared with $3,410,398.

Net earnings of subsidiary companies last year were $5,562,635, compared with $7,245,535. However, in 1950 the reserves appropriations were $2,163,013, against $262,265 in 1951. Also, in 1950 the system's interest and amortization of debt discount amounted to $1,159,228, against $220,104 in 1951.

Gross profit of manufacturing and sales companies totaled $20,988,870, against $19,573,452 in the previous year. Operating expenses, however, rose about $2¾ million, with income taxes accounting for about $2,400,000 of the increase.

* * *

Theodore Gary & Co. reported net income for 1951 was $57,608, compared with $73,823 in 1950. Gross earnings were $81,641 compared with $98,456.

Under the exchange plan offered several years ago to the preferred and class A holders, a total of 1,741 shares of preferred and 8,542 shares of class A have been exchanged for $102,830 principal amount of 6% notes and 10,283 shares of participating common stock.

* * *

Southwestern Development Company, operating subsidiary of Mission Oil Company, reported a larger income in 1951 than in the previous year. Net profits were $2,302,157, compared with $2,063,991. Operating income was $8,665,444, against $6,923,362. Cost of sales were $3,234,308, against $2,864,851.

The company paid dividends of $40 a share on its common shares, the same as in the previous year.

* * *

Mission Oil Company's net income in 1951 virtually was the same as reported in the previous year. Income is derived from dividends paid by Southwestern Development Company, a subsidiary, and the 19,294 shares of Southwestern common received $771,760, the same amount as in 1950.

After income taxes and general and administrative expenses, Mission's net income totaled $687,499, equal to $2 a share on the outstanding 344,100 shares of common, compared with $701,842, or $2.04 a share, in the previous year.

Mission carries its investment in Southwestern Development at $604,953. The Dec. 31 current assets were $468,120; current liabilities, $65,189.

Curb Floor Clerks to Hold Annual Outing

The New York Curb Exchange Floor Clerks Association will journey to Reinhardt's "The Neighbors" at Pleasant Plains, Staten Island, where the club's fifth annual outing and games will be held on Saturday, June 21, according to an announcement by Wally Weil, organization President.

Al Mulligan, Chairman of the affair, stated that the day's highlight will be a softball game between a floor clerk's team and a squad composed of regular Curb Exchange members.

Peter Higbie Partner In Reid Co., Detroit

DETROIT, Mich.—Peter C. Higbie has been admitted to partnership in Andrew C. Reid & Co., Ford Building, members of the Detroit Stock Exchange, and the firm's name has been changed to Reid, Higbie & Co. Mr. Higbie was formerly an officer of Bradley Higbie & Co.

With A. B. Morrison

(Special to The Financial Chronicle)

MIAMI, Fla.—Genaro J. Pelaez, Jr. is now associated with A. B. Morrison & Co., du Pont Building.

With Boettcher & Co.

(Special to The Financial Chronicle)

DENVER, Colo.—Alfred A. Wiesner has been added to the staff of Boettcher and Company, 828 Seventeenth Street, members of the New York Stock Exchange.

Connecticut Brevities

Hartford Spinning, Inc. of Unionville recently sold a portion of its machinery to a subsidiary of **Mohawk Carpet Mills, Inc.**, which will rent a part of the plant at Unionville. Hartford Spinning will continue to operate a synthetic combing plant and a garneting plant.

* * *

Risdon Manufacturing Company, Naugatuck, has purchased **Inkograph Company, Inc.** which produces fountain pens. Risdon has been making a telescoping ballpoint pen and pencil and a telescoping cigarette holder. A new division, to be located at Naugatuck, will be responsible for the manufacture and sale of writing instruments which will be produced under the Risdon-Inkograph name.

* * *

Powdrell & Alexander, which has recently sold several of its plants, has announced plans to use its plant at Danielson for custom work as well as for its own products. The company will also continue to operate its small curtain factory at Charlotte, North Carolina, and a warehouse at Los Angeles.

* * *

Yale & Towne Manufacturing Company has purchased a tract of land in Tennessee where it plans to build a plant to produce part of its line of Yale builder's hardware. Construction of the new 80,000 square feet plant is expected to begin in the near future.

* * *

The **Horton Bristol Manufacturing Company**, with plants in Bristol and Rockville, has merged with Wright Machine Company of Worcester, Mass., and will be known as the **Bristol Horton Division of Wright.** This Division, which produces fishing rods and reels and golf clubs, employs about 250 persons.

* * *

Mason Silk Company, producer of thread for industry, has completed a 16,000 square foot addition to its plant at Winsted. The new plant will enable the Company to produce all types of modern thread.

* * *

The scope of activities of **New Haven Clock & Watch Company** has been extended to include electronics by the acquisition of Condenser Products Company of Chicago. The new division makes equipment for radar, X-ray, television, radio and other electronic devices. The acquisition which will raise the annual sales capacity to close to $10 million will not result in any additional stock.

* * *

Pitney-Bowes, Inc. will introduce this month an electric paper folding machine that is only a little larger than a typewriter. This new desk-model office aid will fold up to 5,000 sheets an hour. It feeds and stacks at the same end, thereby saving space and enabling the operator to remain in one position.

* * *

Stockholders of **Aspinook Corporation** voted on a recapitalization plan on June 9 which involves partial liquidation of the Company's assets. Through recent sales of the Apponaug, Hampton and Union plants the Company has acquired excess cash. The plan provides for each stockholder to turn in his present holdings in return for $16 a share for 50% of the stock and a new certificate for the other 50% of his stock. The 483,430 shares which are purchased for $7,734,880 will be retired.

* * *

Colt's Manufacturing Company has announced receipt of a government contract to produce .50 caliber machine guns with a value of $4,315,680.

* * *

Connecticut Light & Power Company has filed with the Federal Power Commission a declaration of intent to build a 1,400 foot dam on the Housatonic River between Newton and Southbury. There would be an adjoining power plant with a generating capacity of 37,250 kilowatts. No construction date has been set.

Blyth Group Offers P. S. Co. of Ind. Stock

Blyth & Co., Inc. heads a syndicate comprising 40 investment firms which placed on the market yesterday (June 18) a new issue of 800,000 shares of Public Service Co., of Indiana, Inc. 4.32% cumulative preferred stock. The stock is priced at par ($25 per share).

Proceeds of the sale will be applied by the company toward the cost of its construction program which for the period Jan. 1, 1952-Dec. 31, 1954 is expected to require the expenditure of approximately of $111,600,000. The largest single project is the new Wabash River generating station now under construction. Four units having a rated capacity of 90,000 kilowatts each are expected to provide an aggregate of 400,000 kilowatts of capacity at this station.

The new preferred stock is subject to redemption at $26 per share through May 1, 1957 and thereafter at prices decreasing to $25 per share if redeemed after May 31, 1972.

The company supplies electric service in areas located in 70 of the 92 counties of Indiana. As of December 31, 1951 the company served 320,203 customers in 723 cities and towns and adjacent rural areas. Electric service is also supplied at wholesale to a number of municipal utilities and rural electric membership corporations. The company's electric system is directly interconnected with the electric systems of Indianapolis Power & Light Co., Louisville Gas & Electric Co., The Cincinnati Gas & Electric Co., Indiana & Michigan Electric Co., and other utility companies operating in Indiana and contiguous states.

For the 12 months ended March 31, 1952 the company reported electric operating revenues of $50,819,575 and net income of $8,594,887.

Money Rates and Municipal Bonds

By DR. IVAN WRIGHT*

Pointing out money rates are bound up with political policies both here and abroad, Dr. Wright foresees probable rise in borrowing costs. Recommends carrying only light inventory of high priced bonds. Holds conservative policies in Municipal and Revenue Bond financing will pay off, and contends bottom of low interest rates has already been reached.

Dr. Ivan Wright

I am glad to extend my acquaintance with the leaders of this exclusive tax free business in this tax harassed world. I urge you to guard your freedom carefully. There is no doubt the tax collectors are gunning for you. My comments will be brief. There is little that can be said with certainty about the future of money rates without knowing the minds of the money managers. Despite all the denials, the money market is under the control of the government through the Treasury and the Federal Reserve System. The power to regulate the supply of money is the most powerful force in the economic life of the country. Once inflated bank credit has been substituted for savings, as it has been in a large way in this country, there is no stopping and withdrawal without deflation, and to go forward with more and more credit inflation will result in the evaporation of all monetary values.

The tax exempt feature of municipal and revenue bonds reduces the costs of borrowing for these purposes and adds to the attraction of these securities for that class of investors who can reduce the taxes on their income through this type of investments. These benefits however tend to be discounted in the market prices of the bonds. After allowing for the tax exempt feature the prices of municipal and revenue bonds will be governed by the supply of money, the trend of interest rates and the market for these specialized types of securities.

If I had to manage the underwriting and selling of these tax exempt bonds, I would keep up-to-date before me a picture of all the forces bearing upon the demand for and supply of money. In brief these would include bank reserves, bank loans and investments, the loaning and rediscount policies of the Federal Reserve Banks, and the open market operations of the Federal Reserve Open Market Committee, the trend of savings, commodity prices, general business conditions as indicated by sales and inventories, the market conditions for new capital issues, the volume of imports and exports, and the success or failure of England and France in their efforts to return to orthodox monetary policies. There are many other factors and emotions and influences which will need to be appraised. But this job can be done well only by some one who will daily give his attention to these matters.

The money market interest rate mechanism is a finely balanced relationship of all the rates in the different compartments of the market. The whole market is affected by many acts and influences both internal and external which bring pressure upon the demand for and supply of funds in any large division of the market. For example, the decline in the price of commodities with present high inventories could create frozen conditions which would reduce borrowing sharply, while money to loan accumulates. The success of sound money policies in the Sterling Area, France and Italy, where rising money rates have already reduced the prices of high grade government securities sharply, will in due time have its effects on the supply of money here. When economic and political conditions are inviting, money will flow to these countries for the higher return it can earn. If the efforts of these countries to return to sound money policies fail, the effects will be felt here in the form of further inflation and its consequences.

Then there is the progress of the defense efforts and the evidence of lessened or increased world tension. If the allied countries can build defenses to guaranty security against a third world war, and at the same time, maintain adequate peace-time production and balanced budgets, while returning to sound money policies which will protect the earnings of the patriotic citizens against destruction via inflation, democratic policies will have demonstrated their capacity to rise to the needs of the emergency.

Money Rates Bound Up with Political Policies

More than ever before money rates are now bound up with political policies. If you will just look across to France and England and see what the efforts to return to sound money have done to interest rates and the prices of securities, some light may be shed on what to look for here if the new Administration seriously attempts to stop inflation and maintain a balanced budget. While we do not have quite the same problems that England has, ever since the effort to stop inflation there money rates have risen and bond prices declined. Viewing these and other trends ahead bearing upon the demand for and supply of money and the rates, I would be inclined to carry a very light inventory in high priced bonds of any kind, and I would not want any commitments very many weeks ahead that could not be undone. If inflation is to be stopped, money rates have passed their lows long ago and the trend is toward higher rates, despite the temporary easing of rates. What is to be done in this matter from time to time is at present entirely up to the Federal Government in its monetary and financing policies. The answer can not be found yet in the open competitive market.

Conservative Policies in Municipal and Revenue Bond Financing Will Pay Off

If these tax free obligations are over-extended or abused they may be brought under the Federal Taxing Authority. Without careful policies many municipalities will over-extend their financing with cheap money, and some of the revenue bonds are questionable. While much needed city development and construction has been delayed due to the times it is easy to over-expand at today's high costs with cheap money. This has happened in the past and it took a long time to recover from the damages done to the municipal bond business. Some of you may recall the collapse of municipal credit in some towns and cities which over-expanded through the gateway of real estate developments in the 20's. As I remember it, there were many towns and cities in several states which were in default for some years. Then the inability of the local municipality to raise revenue enough to defray the operating expenses of all the social services and public improvements built up is still fresh in memory. Back in the 70's and 80's local governments sold bonds to aid railroads and bring in new businesses, and when the boom had passed large numbers of these bonds defaulted. Way back in the 1830's and 40's states and cities sold bonds and subsidized banks, canals, and turnpikes and in a few years defaults were numerous. In spite of the growth of the country many of these bonds were never paid.

The present stretching of the meaning of revenue bonds, and the expansion of municipalities into cities with all the modern facilities of large cities, with cheap money and high costs needs critical appraisal. While money is cheap, it costs three to five times as much for construction and new developments now compared with pre-World War Two. A period of deflation, which will accompany a return to sound monetary policies, may make it very difficult for many municipalities and revenue projects to service these large obligations.

A long look ahead, and a forecast of money rates should be a part of every municipal and revenue bond appraisal. Forecasting money rates for a long period ahead is hazardous business and not since the revision of the Federal Reserve Policy in 1933 and 1935 has it been possible. At present, as in recent years, one can only hazard a guess based upon what seems to be the monetary and business outlook and the probable activities in the money market of the Federal Reserve open market committee.

Since the business of underwriting and distributing municipal bonds must be guided by the trend of interest rates, these conditions reduce intelligent practices to day to day activities and then you can not be sure you will not get hung up or get your customers hung up for heavy losses.

Reserves and Interest Rates

Interest rates are functions of bank reserves. Bank reserves, when fully used, limit loans and investments by the banks to that of shifting from existing loans and investments into new ones. The demand for money for loans or investments at higher yields under these conditions determines the price of the bankable securities in the market.

But when reserves are in excess as they have been most of the time for many years, money rates of course decline and security prices rise until the banks have used most of their excess reserves in the investment markets which push up prices and pull down rates. This is all old stuff that you are familiar with but the real problem you are up against in the future, as in the past few years, is in determining the policies that are going to regulate bank reserves. Reserves are gold and lawful money. Gold imports and exports are facts that you can measure when you have the information. But the reserves furnished member banks through the lending operations and the open market operations of the Federal Reserve System are hazards which are determined by the whims of the management, oftentimes based upon information and ideas not well known to you. When the Federal Reserve lending and investing policies were largely discounts based upon actual goods, and commercial paper secured by goods in business transactions, these facts furnished a very good guide to business and money market conditions. But now that the reserve credit is largely a matter of manipulation with government securities there is not very good evidence to guide any one in long-term policy in the municipal market, or any other market.

If I had to make a policy for operating in the Municipal Markets I would keep in mind that money rates are low, prices are high and this period of business prosperity based upon inflation has lasted a long time, and well informed investors are going to look far ahead and adjust their affairs accordingly. Moreover, in the rest of the free world, an effort is being made to return to the gold standard and money rates have risen sharply.

The large amount of municipal and revenue financing that may be placed on the market in the next few years may make it necessary to broaden the market through rate increases to appeal to a larger class of buyers.

At the present time bank loans are declining slightly, but bank investments are increasing sharply. The ability of the banks to supply all the credit that is wanted depends on the expansion of member bank reserve balances and the importation of gold.

The present low interest rates and high prices are a result of the inflation of bank credit. To what extent this policy will be reversed, and how soon and how much and how long, is pretty much in the hands of the Federal Reserve System policy makers.

When we get a free market, and the credit expansion potentials of the banks depends upon their excess reserves, and reserve bank credit expands to meet the needs for elastic currency and credit to serve the actual production and marketing of goods, and based upon these transactions (as the original Reserve Act provided for), and bank credit is not created as a substitute for savings, then you can again make a workable policy that will be less nerve racking and more dependable. Then business jitters will be less and more can be accomplished in quiet competitive markets. But that time is quite a long time off in my opinion.

*A talk by Dr. Wright before the Municipal Forum of New York, New York City, June 12, 1952.

Congratulations to Mary V. Corrigan

Mary V. Corrigan

Mary V. Corrigan, co-Manager of the New York office of Sincere and Company at 25 Broad Street, New York City, is celebrating her birthday this week. Miss Corrigan is believed to be the only woman branch manager of a New York Stock Exchange firm and one of the big commodity traders here.

Economic Implications of British Mail Van Robbery

By PAUL EINZIG

Commenting on the largest mail van robbery in Britain, which occurred last May, when £200,000 were taken, Dr. Einzig discusses its possible effects, particularly with regard to its impact on currency circulation, bank cash reserves, and credit. Points out, on basis of current ratio of cash reserves to bank liabilities, the £200,000 loss of cash to the banks may mean £3,000,000 in credit restriction.

LONDON, Eng.—In May, 1952, Britain experienced her first mail van robbery on a really large scale. In the centre of London, near Paddington Station, a Royal Mail van was held up and the gangsters got away with some £200,000 in one pound notes and 10 shilling notes. These notes were sent by provincial bank branches to their London head offices. Similar consignments are posted day after day, and even though hardly any precautionary measures are taken all consignments arrived safely over a period of many years. On the present occasion, however, the £200,000, which were guarded only by three unarmed and unsuspecting post office employees, fell into the hands of criminals. Although Scotland Yard mobilized all its resources, so far their efforts have produced no results. As several weeks have now passed it seems probable that even if they should eventually catch the mail van robbers they will be unable to recover the money. Indeed, as the consignments consisted of used notes (they were returned to London so that they should be replaced by new notes), there is no way of tracing them unless the criminals, or their associates, are careless enough to make large cash payments in such notes in unusual circumstances. It seems reasonable, therefore, to regard the £200,000 as irretrievably lost.

Dr. Paul Einzig

The question is how the unconventional change of ownership of that amount tends to affect the economy of the country. Needless to say, the amount involved is too small to make any actual difference in any sense, but the theoretical effects involved are worth exploring. The last occasion on which the theoretical implications of a somewhat comparable crime were investigated was about a quarter of a century ago in connection with the Portuguese note forgery case. A leading London printing firm had to pay heavy compensation to the Portuguese colonial bank of issue because, in good faith, it printed notes to the value of some half a million pounds, in execution of the order of unauthorized individuals. During the course of the trial the defense argued that the bank stood to lose nothing since its notes were inconvertible. The argument was developed with great skill by Sir Cecil Kisch, who acted as economic advisor for the defense. But judgment was passed against the printing firm all the same. The net result was that additional purchasing power to the total of the unauthorized notes remained in circulation in the Portuguese Colonies and Portugal received a substantial sterling balance without having to export anything for it.

This is an over-simplified version of the case, which was highly complicated. The economic consequences of the present crime are even more involved. Its effect on the monetary situation depends mainly on two things: (a) whether the note consignments were insured, and (b) whether the mail van robbers, or their associates, spent the notes in Britain or smuggled them abroad.

Assuming that the notes were not insured and that their unauthorized recipients considered it safer to smuggle them abroad, the effect of the transaction would be purely deflationary. For the additional purchasing power would not be exercised in Britain, at any rate for the time being, but the decline of the cash reserve of the banks would lead to a contraction of credit. Under the prevailing British banking practice the customary ratio of cash to sight liabilities is 8%. This means that if the cash reserves of the banks should decline by £200,000 they would endeavor to bring about a reduction of their deposits by something like £3,000,000. This end can be achieved through a curtailment of credits as a result of which the debtors have to reduce their balances in order to reduce their overdraft.

If the notes were not insured, and if they were spent within the country, the effect would not be deflationary but slightly inflationary. Once the notes are spent they are bound to find their way back to the banks; so that except for a brief transition period the cash holdings of the banks would remain unchanged. The additional purchasing power represented by the notes would tend to cause an inflationary effect, which may be counteracted in the long run to the extent to which the banks would have to reduce their dividends as a result of the losses suffered. Since, however, banks hardly ever change their dividends, the losses would only affect their open or hidden reserves.

If the notes were insured, the loss would leave the profits, dividends and reserves of the banks unaffected. The balances of insurance companies with the banks would be reduced, as a result of the payment of compensation to the banks. If the notes were spent in Britain the note holdings of the banks would remain unaffected, and the decline of the balances of insurance companies would be offset by the increase of the balances of those who eventually deposit them with the banks. The actual spending of the notes within the country would tend to produce an inflationary effect. This might be counteracted in the long run if, as a result of having to pay compensation, the insurance companies were to reduce their dividends.

If the notes were insured and were spent abroad, the decline of the balances of insurance companies would not be offset, but the reduced cash reserves of the banks would not be replenished. There would be a deflationary effect. The chances are, however, that sooner or later, the notes would find their way back to Britain.

From the point of view of the British balance of payments, the smuggling out of the notes would mean that visible or invisible British exports would sooner or later be paid for with the aid of these loans. In other words, there would be an increase of unrequited exports.

From the point of view of the internal inflationary effect of the operation, much depends on the character of the criminals and their associates. If they are spendthrifts, the additional purchasing power would soon be put into circulation. Possibly in the first instance the money would be spent mostly on luxuries, so that it would not directly affect the cost of living which depends on the demand for primary and secondary necessities. Once the purchasing power is created, however, its use is liable to spread and sooner or later it will affect the cost of living. If, on the other hand, the criminals are thrifty, or if they are afraid of spending the money for some time, the additional purchasing power will only be exercised after some delay. If in the meantime the notes remain hoarded no effects would be produced. If, on the other hand, they are deposited or invested the operation will tend to increase the demand for capital goods. The difficulty of adopting this course is that it would be risky to pay large amounts into banks; but this difficulty might be overcome if the money is used for well-planned gambling on horse races, where the stolen notes can disappear without a trace; and their owners receive different notes from bookmakers.

The transaction has many other economic implications, but those mentioned above should be sufficient to indicate the difficulty one is apt to encounter if one tries to go into details of the practical effects of some unusual factor.

Bravo, Senator!

"We have a great issue with the Democratic Administration, and I believe that issue is to preserve the liberty of this country, to resume progress under the principles of liberty which have succeeded in bringing that progress in the past, and oppose the philosophy which has dominated the Government for the last 20 years, the philosophy that all good comes from increased Government power and increased Government spending.

Robert A. Taft

"That philosophy dominates the Administration today, it dominates many people even in the Republican ranks, it dominates many businessmen who ought to know better, but it seems to me that that has grown to a point today where if it is permitted to continue it will destroy the very basis of all progress in the United States. Because Government has steadily increased today we're up against the guns. Twenty years ago the Federal Government took 6% of the people's income, and that ran the whole Federal Government. If we gave Mr. Truman what he's asking for next year, we'd be spending 30% of the people's income, $85,000,000,000 instead of $5,000,000,000.

"If we gave Mr. Truman what he wanted plus the State-local government, we'll be spending 37% of the people's income."—Senator Robert A. Taft.

We are wholeheartedly with the Senator on this issue. May such ideas come to prevail in this country—and without delay.

Business Man's Bookshelf

A Reading List on Business Administration—Sixth revision—The Amos Tuck School of Business Administration, Dartmouth College, Hanover, N. H.—Paper—$1.00.

Business Information Sources—Bulletin containing list of references to articles in print pertaining to business and industry—The Business Information Bureau, Cleveland Public Library, Cleveland 14, Ohio—Single issues, 10c; two years' subscription, $1.00 (the mailing and handling charge).

Federal Grants and the Business Cycle—James A. Maxwell—National Bureau of Economic Research, Inc., 1819 Broadway, New York 23, N. Y.—cloth—$2.00.

Manual of Corporate Giving, The—Edited by Beardsley Ruml in collaboration with Theodore Geiger—National Planning Association, 800 Twenty-first Street, N. W., Washington 6, D. C.—cloth—$6.75.

Continued from page 2

The Security I Like Best

The company is at present paying a dividend of $0.50 quarterly which makes the yield, at the present price of 35½, 5½%.

The reason I believe in the company so strongly is the excellent management. The President of the company, J. Harold Dunn, is one of the outstanding figures in the natural gas and oil industry and is primarily responsible for the steady growth of the company in the last 10 years. He has some very strong assistants, including Ray C. Johnson, Vice-President and General Counsel, and Harry Wheeldon, Operating Vice-President. They are surrounded by an unusually able group of executives and department heads.

All told I believe Shamrock Oil and Gas to be not only a sound investment at its present selling price with an attractive yield, but a security which over a period of years should show a steady, gratifying appreciation of principal.

Let's Do Our Homework

By LEONARD E. READ*
President, The Foundation for Economic Education, Inc.

Tracing drastically changed concepts of functions of government, Mr. Read asserts we are headed for socialism not importantly differing from communism. Sees United States following path of European countries, where State takes excessive proportions of people's earned income. As to what we can do about it, declares advancement of understanding requires an intelligent source from which learning may be drawn, as well as people with the will to learn.

I would like to divide my remarks into two parts. First, I would like to give you my version of where it is we are headed; and, second, I would like to give you my version of what it is that we, as individuals, can do about it.

Leonard E. Read

With reference to the first part, where we are headed, may I begin by giving a brief, thumbnail sketch of my interpretation of American history?

Let us begin, if we will, with the landing of the Pilgrim Fathers in the year 1620. Our Pilgrim Fathers came here in dire straits, and, like a great number of other individuals who, when they are in difficulty, believe they cannot trust freedom, turned to authoritarianism. In the beginning, our Pilgrim Fathers adopted a system of pure, unadulterated communism. Regardless of how much or how little a member of that colony produced, their produce went into a common warehouse under orders, and the proceeds of that warehouse were doled out in accordance with the authorities' idea of the need.

In other words, what they did then was to adopt what Karl Marx later held up as an idea for the Communist Party: From each according to ability, to each according to need.

There was a very good reason why our Pilgrim Fathers gave up that practice; rather a compelling reason. Many of them were starving and dying.

Governor Bradford said that winter, "We are going to try a new system come spring. Each person is to have what he himself produces."

Came spring, and all the mothers and fathers and children went into the field, producing for themselves. They began an idea, a new philosophy: To each according to merit.

There began an era of abundance which went on for many years, and later began to take political expression. This political expression was primarily in three instruments — the Declaration of Independence, the Constitution, and the Bill of Rights.

The essential premise of these political instruments of ours was simply this—that each citizen has an inalienable right to his life. Now, it follows that if a person has a right to his life, that he has a right to defend his life, and a right to sustain his life, the sustenance of life being nothing more nor less than one's livelihood, the fruits of one's labor, or, putting it bluntly, one's property. The right to life without the right to protect life and the right to sustain life is an absurdity. Therefore, the primary premise of these original political instruments of ours was that each individual has an inalienable right to his life and to his property.

It is one thing to accept that as a premise, and it is quite another thing to put it into practice. Perhaps there are two ways that you could put it into practice. One would be to let each citizen carry his own shillelagh or his own tommygun and shoot or hit on sight anyone who he might think might be injuring his life or property. That was a condition of anarchy to which our founding fathers did not subscribe. It would be a pretty unpredictable situation, they reasoned, because the same instrument that you used to protect life and property also could be used to take life and property. In other words, repellant force or defensive force could be turned into initiated or coercive force, rather a dangerous, unpredictable thing. They did not subscribe to it nor adopt it.

"Appointing An Agent"

They did another thing. They said in effect, "We are going to appoint ourselves an agent, and we are going to give this agent of ours a monopoly, or control, of these defensive weapons. The duty of this agent shall be to secure the life and property of all citizens equally, and that is the total function of this agent."

The Constitution and the Bill of Rights were primarily prohibitions not against the citizens but against this agent, because these founding fathers of ours were fairly close to experiences in Europe where any agency that had the monopoly of force had turned this defensive force into coercive force.

This agent, however, that they appointed — government — was nothing more nor less than people like ourselves, with somewhat the same acquisitive instincts for affluence and, perhaps, power. This agent found out that he did not like the job of performing solely this negative function of defending life and property, and so the agent began to move into activities that the citizens had reserved for themselves. The agent was able to this by reason of having control of the weapons, the force.

If the agent had any deficits in connection with any of these activities, it found it could also collect the money from the citizens to make up for such deficits as the agency incurred.

Communism and Socialism

I do not know what your definition of socialism or communism is, but mine is fairly simple. Socialism is nothing more nor less than the state ownership and control of the means of production. Communism is nothing more nor less than the communalization of the products of all by force. I do not see much distinction between the two myself, but I would like to suggest that to the extent that this agency in America—government, federal, state, and local—has moved away from its original function—namely, the defense of life and property equally for all citizens—and has gone into the creative areas, to that extent has socialism and communism developed in our country.

It is not easy to measure precisely the extent to which socialism and communism have advanced, or conversely, how much individual liberty has been lost, but perhaps there is a way to measure the trend, to get an idea of the drift, and that would be to measure the loss in freedom of choice that American citizens have had with their income dollar.

There was a time less than a century ago when the American citizen, on the average, had a freedom of choice between 95 and 98% of his income dollar. That was because the take of this agency — government, federal, state and local—was between 2 and 5% of all earned income. But as this agency has increased its activities, as it has invaded these areas that the citizens had reserved for themselves, the percentage of take of earned income has increased very substantially. Today it is around 31% of all earned income.

Many persons say that isn't very bad because that leaves, on the average, 69% freedom of choice. But Colin Clark, of Australia, who is regarded as one of the world's greatest statisticians, the man who studied the income behavior of nations covering a period of centuries, discovered the very interesting fact that whenever any government of any country took between 20 and 25% of the earned income of the people, large segments of the population would support an artificial increase in the volume of the money (inflationary process) which, of course, must result in a lessening of the value of that money.

It is relevant to ask, has this been going on in this country? The answer is yes. Since we started our programs of deficit financing and the monetization of debt, we have more than quadrupled our money supply. It was Old Man Lenin who said that the way to destroy the capitalistic society is to debauch the currency, and that is precisely what we have been doing in America.

The French Pattern

A good way to take a look at the meaning and significance of this thing that has been going on here is to take a look at France. France, in many respects, resembles the United States. France started on this program of the state assuming the responsibility of the welfare of the people in 1915. France started two decades earlier than we did. She started from a lower economic level than we did, but, as I have suggested, when the state moves into the creative areas, and assumes the responsibility for the welfare of the people, there is no method for the financing of that sort of thing except by these artificial money methods—increasing the volume of the money, which, as I have said, must result in a decrease of the value of the money.

It is interesting to see what has happened to France in these 36 years operating along this line. The franc has lost in excess of 99½% of its purchasing value. I recall being in Paris in 1918. I bought a nice dinner for five francs, then the equivalent of an American dollar. I did not get to Paris again until 1947. I took a friend of mine to luncheon. We did not pay 10 or 20 francs for lunch. We paid 3,400 francs for the lunch. I wasn't there again until 1949. I took Mrs. Read to the same place, and had the same lunch on account it was a good one, and it wasn't 3,400 francs; it was 4,100 francs.

I would like you to envision, if you will, a young Frenchman back in 1915. Let us say he was 25 years of age, and he had some concern about the day when he would be, say, 60 or 61 years of age. So he bought himself an annuity, a paid-up annuity, that would return 1,000 francs per month. Back in 1915, 1,000 francs per month would have permitted him to have lived like a Prince of Monaco, yet my doctors tell me that a person cannot live on one meal per month, and that is all the 1,000 francs would buy today.

That is, as I see it, the road to so-called social security. Your speaker is one who wants no part of it at all.

If you would like to test this line of reasoning historically, I would ask you to take a look at some of the larger nations of the world, those that we think of as being in a perfectly horrible socialistic and financial mess, such countries as Russia, France, Germany and England. As short a time ago as 22 years, the take of earned income by the government in Russia was 29%, less than where we are today. In Germany at that time, the take was 22%, much less than where we are today. In England at the time, it was 21%, and in France it was 21%.

Our Increasing "Take"

I call your attention again to the fact that we are now at 31%. Based upon the budgets as of July 1 of this year, that take would have to be between 40 and 45% of the earned income of this nation, and I, at least, am not aware of any situation in history where the take has been that large and the economic system has not cracked up.

If I were to summarize these prefacing remarks, I would merely make this observation—that in America socialism has advanced to such a degree, and the debauchery of the currency has gone on to such an extent, that we are no longer in the favorable position in which we may merely quit these ways, drop an anchor, so to speak, and remain all right. I do not like to say this, but in my view we are now over the brink, and unless we go through the very difficult and almost unprecedented political antic of actually cancelling out—and I would like to repeat that term, actually cancelling out—a great number of our so-called social gains, private property, freedom to compete in enterprise, and individual liberty, as institutions, are doomed to wither away here and disappear as they are disappearing in other countries of the world.

That sounds a bit like a prophecy of doom. You have a perfect right to ask of me, have I no hope? I would not be in the work I am in if I did not have hope.

I would like to make an observation about these prefacing remarks. I have made similar prefacing remarks in perhaps 500 speeches before all kinds of groups —college faculties and businessmen and wage earners and others —all over this nation and in other countries during the last five or six years. Do you know that I have never noticed a single instance of a conversion from a person being a collectivist to becoming a libertarian by reason of a fear what the future held for him materialistically? In other words, the materialistic fear of the future has never, according to my observation, caused any conversion from a collectivist to a libertarian.

I have noticed a great number of conversions, but every single one of those has been because of an individual grasping a new concept of what is right and what is wrong. That is the reason I have come to think of this problem as essentially a moral problem.

You may ask, what are the causes of this drift we are in? I certainly do not want to get myself in the position of attempting to assign causation. I will cite three causes heard over and over again. There are those who say there just isn't any hope and, therefore, it is useless to do anything. There are those who say, I do not have any time to read or to think or to study. And there are others who ask, what can I do as a lone individual?

I would like to answer those backwards, and with reference to the last one merely say that in my view there isn't anything that one can do except as an individual.

With reference to having no time to read or to think or to

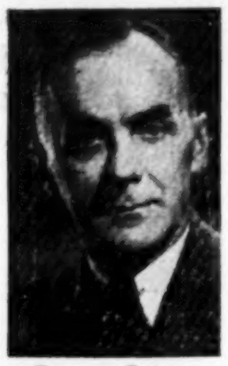
Continued on page 13

*A talk by Mr. Read before the New York Chamber of Commerce, New York City.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

Bertram E. Hull has been appointed Joint Agent with A. W. Rice of the **New York office** of



Bertram E. Hull

The Dominion Bank, Canada. Mr. Hull was formerly with the Calgary, Alberta (Canada) branch of the bank.

* * *

George O. Nodyne, President of the **East River Savings Bank of New York City,** announces the election of the following officers: Joseph R. Duddy, formerly Treasurer, becomes Vice-President and Treasurer; William H. Summers, Comptroller; Walter E. Baily, Quintin Frazer, Louis J. Rub and John M. Vickers were elected Assistant Vice-Presidents. New officials elected include William L. Barton, Assistant Secretary; Walter R. MacIntosh, Assistant Secretary; Val J. Brennan, Assistant Mortgage Officer and Robert Horsfield, Assistant Treasurer.

* * *

The National City Bank of New York marked the 140th anniversary of its founding on June 16. Chartered by the New York State Legislature as the **City Bank of New York** on June 16, 1812, two days before the start of the War of 1812, it became The National City Bank of New York in 1865, following passage of the National Bank Act. It began business at 52 Wall Street, moving to the remodeled U. S. Custom House at 55 Wall Street in 1908, which is its head office today. Paid-in capital at the outset was $800,000; total capital funds of National City are now in excess of $364,000,000.

Establishment of the bank was an outgrowth of the liquidation in June 1811 of the **First Bank of the United States,** which Alexander Hamilton had founded in 1791. The founders of the new bank felt that the liquidation created a need for a new banking organization. The outcome of their efforts was the incorporation of the institution whose 140th anniversary was celebrated this week. First President of City Bank was Col. Samuel Osgood, a Colonel in the Revolutionary War and George Washington's first Postmaster General. Howard C. Sheperd, now President, is the 16th to hold that title in the bank. Chief executive officer of the bank is William Gage Brady, Jr., Chairman of the Board, and W. Randolph Burgess is Chairman of the Executive Committee. From an original staff of a dozen people, National City today has a personnel of 13,700 including its overseas staff. It has 56 branches located in 19 foreign countries, 67 branches in New York City. Total resources were in excess of $5,800,000,000 as of the last published statement, March 31, 1952.

In 1929, the **Farmers' Loan and Trust Company** became affiliated with National City Bank, as the City Bank Farmers Trust Company. It, too, is marking an anniversary this year—its 130th. Its charter was the first granted in the United States empowering the predecessor company to do a trust business. W. Randolph Burgess is Chairman of the Board of City Bank Farmers: Lindsay Bradford is Vice-Chairman of the Board and Richard S. Perkins is President.

* * *

The Farmers & Merchants National Bank of Matawan, N. J., recently (May 29) doubled its capital, increasing it from $75,000 to $150,000 by a $75,000 stock dividend.

* * *

The promotion of three officers and the appointment of five new ones were announced on June 15 by William R. K. Mitchell, President of the **Provident Trust Co. of Philadelphia,** according to the Philadelphia "Inquirer" of June 16, which added:

"W. Arthur Dill and John E. Williams, Trust Officers, were advanced to Assistant Vice-Presidents; Russell Lamon was promoted from Assistant Trust Investment Officer to Trust Investment Officer. The new appointments were: Edwin H. Melhorn as Assistant Secretary; Gordon B. Callaghan, Assistant Trust Officer; Harry Werner, Assistant Real Estate Officer; and William S. Plag, Assistant Auditor.

* * *

Clayton E. Kraiss, Assistant Trust Officer of the **Frankford Trust Co. of Philadelphia,** has been elected Trust Officer of the trust company, and Mrs. Rose Magda has been named Assistant Trust Officer, it is learned from the Philadelphia "Inquirer" of June 16.

* * *

The appointment is announced of Benjamin F. Fairless as a director of the **Mellon National Bank and Trust Co. of Pittsburgh.** Mr. Fairless is Chairman of the Board and President of the United States Steel Corp.

* * *

The capital of the **First National Bank of Milford, Pa.,** became $125,000 on May 28, having been increased from $100,000 by the sale of $25,000 of new stock.

* * *

As a result of a stock dividend of $100,000, the **Shelby National Bank of Shelbyville, Ind.,** has increased its capital from $100,000 to $200,000; the enlarged capital became effective May 28.

* * *

Directors of **The Northern Trust Company of Chicago** have elected Nelson Clark Works, Jr., Second Vice-President to be in the banking department. Mr. Works goes to the bank from **The Prudential Insurance Company of America, of Newark, N. J.,** where he held official positions including Assistant Treasurer, and more recently that of Investment Manager of the bond department. Mr. Works is a graduate of Yale University, Class of 1939. He went with Prudential immediately after graduation, but remained only a short time before joining the Army for a five-year period, during which he became a Major in the Field Artillery. Upon discharge from the Army in 1945 he went with The Mellon National Bank & Trust Company, returning, however, in 1949 to Prudential as Assistant to the Treasurer.

Nelson C. Works, Jr.

* * *

The First National Bank of Jackson, Miss., reports a capital of $1,210,000 the current month, increased from $1,100,000 by a stock dividend of $110,000.

* * *

The **California Bank of Los Angeles, Cal.,** and the **Citizens National Bank of Bellflower, Cal.,** have reached an agreement whereby the latter will be acquired and operated as a branch of California Bank. This was disclosed by Frank L. King, President of California Bank, and P. H. Van Horsen, President of the Citizens National Bank of Bellflower, who announced that the arrangement has been approved by the boards of directors of both banks. The actual transfer of the business will take place as soon as the necessary legal formalities have been concluded. Mr. Van Horsen, President, and C. W. Friend, Executive Vice-President of the Bellflower bank, will be in charge of the branch as Vice-Presidents of California Bank, according to Mr. King, who also stated that there will be no change in the other personnel.

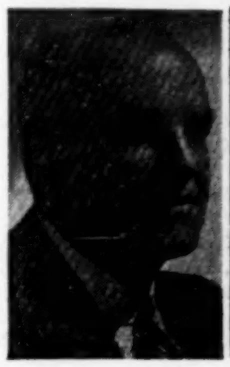
* * *

As of June 9, the **First National Bank of Portland, Ore.,** increased its capital from $12,500,000 to $15,000,000 by the sale of $2,500,000 of new stock. Earlier this year (on April 1) the bank as a result of a stock dividend of $5,000,000 raised its capital from $7,500,000 to $12,500,000, as noted in our issue of April 17, page 1621.

Foreign Bond Situation Seen Improved

In statistical analysis of publicly offered foreign bonds, Dean G. Rowland Collins and Dr. Marcus Nadler of New York University, estimate debt service in 1951 increased from 65.17% to 68.62% on over $4 billion of outstanding foreign issues.

According to a bulletin entitled "Statistical Analysis of Publicly Offered Foreign Dollar Bonds," issued today by Dean G. Rowland Collins, director, and Dr. Marcus



G. Rowland Collins

Marcus Nadler

Nadler, research director of the Institute of International Finance of New York University, debt service in 1951 has been paid in full on $2,842,175,551, or on 68.62% of the total $4,142,182,169 of publicly offered foreign dollar bonds outstanding on Dec. 31, 1951.

The increase in proportion of bonds serviced in full from 65.17% in 1950, the bulletin states, was due to the growing number of bonds assented to the various debt-service resumption plans, including the offer of the Mexican Government to holders of Mexican Railways obligations which became effective March 2, 1950; to the net increase of over $153,000,000 in outstanding Canadian bonds caused by the sale of a number of new issues by the provinces; and to the flotation by the International Bank for Reconstruction and Development of two issues in the principal amount of $150,000,000. Thus, owing to the assent of bondholders to either Plan A or Plan B, the principal amount of defaulted bonds of Mexican Railways has been reduced from $55,463,861 at the end of 1950 to $26,533,453 on Dec. 31, 1951; the percentage of Brazilian bonds assented to Plan A has increased during 1951 from 37.09% to 37.70%; and the face amount of unassented Peruvian bonds has decreased from $28,597,000 to $22,964,000.

Data on the status of all publicly offered foreign dollar bonds as of Dec. 31, 1950 and 1951 are summarized in the accompanying table.

On Dec. 31, 1951, European and Latin-American obligors accounted for 94.1% of defaulted bonds. Of the total Latin-American bonds in default, Bolivia and Mexico accounted for 34.74 and 25.58% respectively, while German issues represented 66.33% of total European defaulted bonds. Latin America accounted for 13.9% of total defaulted bonds, as compared with 17.4% on Dec. 31, 1950. Europe's percentage increased from 77% at the end of 1950 to 80.2% on Dec. 31, 1951. The Far East accounted at the end of 1951 for 5.9% of total defaulted bonds.

STATUS OF PUBLICLY OFFERED FOREIGN DOLLAR BONDS

	December 31, 1950 (000,000)	%	December 31, 1951 (000,000)	%
Debt service paid in full	$2,556.2	65.17	$2,842.2	68.62
In default in regard to interest	1,294.6	33.00	1,234.0	29.79
In default in regard to sinking fund or principal	71.7	1.83	66.0	1.59
Total	$3,922.5	100.00	$4,142.2	100.00

Bristol-Myers Co. Debenture and Stock Offers Underwritten

An underwriting group, headed by Wertheim & Co., yesterday (June 18) offered publicly $5,000,000 Bristol-Myers Co. 25-Year 3⅜% Sinking Fund Debentures due June 1, 1977 at 100¾% and accrued interest. The sinking fund will retire 70% of the debentures prior to maturity. The Wertheim group is also underwriting an offering by the company to its common stockholders of 199,872 additional shares of common stock at $24.50 per share on the basis of one share for each seven shares held of record on June 17, 1952. Rights to subscribe to the additional shares of common stock will expire at 3 p.m. (EDT) on July 1, 1952.

The net proceeds from the sale of the debentures and of the additional common stock will be added to the general funds of the company. The company in recent years has required and still needs substantial amounts of cash in order to finance material expansion of plant facilities—notably of its subsidiaries, Bristol Laboratories Inc. and the Sun Tube Corp. In addition, an increase in cash has been required to finance increases in accounts receivable and inventories resulting from higher costs of materials as well as greater volume of business.

Bristol-Myers Co. is one of the leading producers of tooth paste, toiletries and proprietary drugs in the United States. Through Bristol Laboratories, Inc. it is one of the largest producers of penicillin in the country; through Sun Tube Corp. it is one of the largest manufacturers of extruded metal containers of the type generally used in the drug, toiletry and cosmetic business and of condenser case and shells of the type generally used in the radio and television industry; through Rubberset Company it is one of the most important paint and shaving brush manufacturers in the United States. The business of the company and its subsidiaries is principally carried on in the United States but a substantial amount of business is also done in Canada, Australia, South Africa, Great Britain, Brazil, Colombia, Mexico and certain other countries.

The underwriting group, consisting of 26 firms, includes Blyth & Co. Inc.; The First Boston Corp.; Goldman, Sachs & Co.; Kidder, Peabody & Co.; Lazard Freres & Co.; Lehman Brothers, and Union Securities Corp.

Continued from page 15

Let's Do Our Homework

study, I would make the observation that the statement is not quite accurate. The way it should be said is, I give reading and thinking and studying a low priority among my activities. I put golf and bridge and my work and many other things ahead of such endeavor. As a matter of fact, if we want to give reading and studying and thinking first priority, there will be no shortage of time.

With reference to the person who says, there is no hope, I have tried to find instances in history where a country was once on this toboggan (it is an unrewarding type of an investigation) and reversed itself. Almost all the instances read like the rise and fall of the Roman Empire.

There was an instance in France, during the reign of Louis XIV, when Louis appointed Turgot as Finance Minister. Turgot kicked out the Queen and her court, and removed restrictions. He restored free enterprise, almost overnight. But the Queen and her court went to work on Turgot politically, and within a year and a half they had him out. So that wasn't a very significant instance.

The only significant one that I have really found took place in England following the Napoleonic Wars. England was then a small country, having a population of about 8 or 9 million. Her economy was extremely simple as compared to our complex economy today. But England's debt in relation to her resources must have been as great or greater than ours now is. England's taxation was confiscatory, and the restrictions on the exchange of goods and services were so great, that had it not been for the smugglers—the law breakers — the people would have gone hungry. That is a deplorable situation to be in.

England's Post-Napoleonic Extrication

What accounted for England extricating herself from that position? As nearly as I can find out, the reversal came as the result of the work of two men, John Bright and Richard Cobden. Incidentally, they worked through the Manchester Chamber of Commerce.

These two men had a fine understanding of the philosophies which had been stated by David Ricardo and John Stuart Mill and Adam Smith. They went all over England, writing and making speeches about the efficacy of freedom, freedom of trade, etc. Members of Parliament began to listen to them, because of the dire straits in which England was at that time, and there began then the greatest reform movement in all of British history. It was made up of the repeal of restrictive law. They repealed the restrictive laws, and England at that time had a Queen — Victoria — who would rather sit in the corner and knit than rule Englishmen. They roamed over the world and built empire and prosperity.

Successful Homework

In other words, there is an instance in history. It has been done. I think it will take more than a John Bright and Richard Cobden to deal with the situation in America, but I think the principle they used of men doing their homework was right. That is the principle that we need to apply here.

I want to talk a little bit about what we can do about it. I am a radical in this field of methodology, as you shall soon see. I have a great number of friends, particularly in the business and professional world, who say that this problem is one of "selling the masses" or "the man in the street." They refer to the poor, ignorant devils as the only ones needing education. I have a controversy with that point of view. It is going about the problem backwards.

I agree that this problem is a problem in the field of influencing persons, but I think we need to understand the nature of influence if we are not to do more harm than good. As I see it, influence divides itself into two types of activities. One is non-rational activity, and the other is rational activity. We need not concern ourselves with the non-rational activity, except to gain an appreciation of the fact that it is of no use to us in our object of restoring freedom in America.

Slogans

I can illustrate. A slogan falls into the category of a non-rational device. (I am talking now about influence in the field of moral, economic and political philosophy and not about influencing the sale of goods and services.) The slogan is extremely effective in tearing down, in destructive work, but it is not useful in gaining our object.

For example, the slogan, "Kill all the Jews," effectively influenced millions of Germans to follow a fool. Clever cliches and phrases used in America, such as "Human rights are above property rights," or "What would you do? Let them starve?"—have effectively influenced millions of Americans to vote for charlatans and to advocate legal thievery. A man with a Messianic voice can whip a crowd into a maniacal frenzy. These are instances of what I call non-rational devices and are extremely effective in destroying or tearing down. But our job is not in the field of destruction. Ours, on the other hand, is in the field of creative activity; namely, the advancement of understanding, or, if I may use one word, learning.

I am going to attempt the explanation of a theory which is very hard for me to state. Therefore, it will be difficult for you to follow. But bear with me for a few minutes, and I will do the best I can.

The learning process presupposes the existence of two things: (1) A person with the will to learn; (2) A source from which the learning may be drawn. You, for example, will never know how to make a gadget like this vacuum bottle unless you, personally, want to know how to make it. It won't make any difference how much I babble at you either. You will not know how to make it unless you want to, and then you can, providing there is a source from which the learning may be drawn.

Source of Knowledge Primary

It is my contention that this source of knowledge, or of understanding, comes first. It pre-exists the will to learn.

An example: Not long ago, there was no general will to learn about nuclear fission, but the moment that some one person discovered how to release atomic energy, the moment that that knowledge existed in one person, there was automatically created by reason of that fact the will to learn on the part of tens of thousands of persons all over this world who had an aptitude for that subject. It was the source of that knowledge that created a general will to learn.

I might answer an anticipated criticism. Someone is likely to say, where does this source get its will to learn in the first place? In answer to that, I will use an observation by the great British scientist, John Baker, who said, there are millions of persons who want to know that which is known; only now and then is there someone who wants to know that which is not known. The very few persons who want to know that which is not known, apparently get their will to learn from a source higher than other persons.

What I am trying to say about this problem of freedom in America, of the libertarian philosophy, is simply this: It is not to be laid at the feet of the ignorant masses. The fault lies in an inadequacy of source. There just are not enough of us who have done our home work sufficiently to the point where we understand our philosophy and can adequately explain it to the point where it attracts the will to learn.

Public Service El. & Gas Co. Bonds Offered

Morgan Stanley & Co. and Drexel & Co. head an underwriting group comprising 33 investment firms which offered for public sale yesterday (June 18) a new issue of $40,000,000 Public Service Electric & Gas Co. 3⅜% debenture bonds due 1972. The bonds are priced at 100.799% plus accrued interest to yield approximately 3.32% to maturity. The issue was awarded at competitive sale on Tuesday.

The bonds will have a sinking fund to retire $1,000,000 principal amount annually starting June 1, 1955, which is calculated to give an average life of approximately 16.2 years.

Proceeds from the sale of the bonds and from the public sale last week of 700,000 additional shares of common stock will be used by the company for general corporate purposes, including payment of a portion of the cost of its current construction program which amounted to approximately $141,700,000 as of Dec. 31, 1951. Of this total, the company estimates that $84,500,000 will be spent during 1952 and that the major portion of the balance will be spent during 1953.

Of these amounts $30,500,000 will cover the cost of two turbine generators of 145,000 kilowatt capacity each now being installed at Kearney Generating Station, $24,300,000 for one turbine generator of 185,000 kilowatt capacity for Burlington Generating Station and $24,400,000 for expansion of the company's gas distribution system.

The company is an operating electric and gas utility company serving the most densely populated and heavily industrialized areas in New Jersey, including most of the State's larger cities. Population of the territory served with electricity or gas, or both, is over 3,900,000. Through subsidiaries the company also operates local and interstate bus transportation systems.

With Wulff, Hansen

(Special to The Financial Chronicle)

SAN FRANCISCO, Calif. — E. Stanley Hook is now affiliated with Wulff, Hansen & Co., Russ Building.

Joins Westheimer Staff

(Special to The Financial Chronicle)

COLUMBUS, Ohio—Joseph H. Nugent is now affiliated with Westheimer and Company, 30 East Broad Street.

Joins Marshall Co.

(Special to The Financial Chronicle)

MILWAUKEE, Wis.—Irving F. James is with the Marshall Company, 765 North Water Street.

Banks Facing Crucial New Problems: Rukeyser

Economic commentator maintains social and economic revolution is entailing vital impact on banks, transforming them into unspecialized financial department stores, and boosting costs. Urges bankers publicize sound money concepts and scientific fiscal procedure.

MILWAUKEE, June 17 — The national redistribution of retainable personal income from the top groups to the middle and lower brackets has been changing the facade of the nation's banks.

Merryle S. Rukeyser

This view was expressed here today by Merryle Stanley Rukeyser, economic columnist for the Hearst newspapers and for International News Service, in a speech before the annual convention at the Hotel Schroeder of the Wisconsin Bankers Association.

"The quiet social and economic revolution in the United States," Mr. Rukeyser, who is author of "Financial Security in a Changing World," declared, "is having its counterpart in banking. Banks are moving in the direction of becoming unspecialized financial department stores, and they make their mass appeal not only in special checking accounts, but also in instalment financing and small personal loans.

"Banks, operating in an inflated market without inflated returns on their services, face the challenge of rising operating costs, as they must compete in the market for human services and for materials with other enterprises sheltered by a 'cost plus' philosophy. In the circumstances, it takes higher salaries and other inducements to attract talented personnel.

"Like other enterprises, banks must be sure that the dollars that they earn are of the same quality as the dollars they pay out as expenses. The fact that bank stocks are now selling below their liquidating value suggests that bankers have not yet sufficiently revised their rates and fees to take full cognizance of what inflation has done to banking costs. The special attraction to an increasing number of banks of new activities, such as small loans and instalment financing, is the flexibility on charges which enables lenders better to recoup their costs."

Bankers Are Philanthropists, Not Shylocks

Mr. Rukeyser said that it was a strange paradox that, while comedians still characterized bankers as Shylocks the fact is that, being conservative in respect to established charges, many bankers are involuntary philanthropists in that they are not currently selling their services at a profit.

Turning to the opportunity of bank executives to exercize national leadership, Mr. Rukeyser said: "Able bankers are enjoying increased prestige with the public, which has become skeptical of political give-away schemes. The squeeze, resulting from inflation and higher taxes, has made the ordinary citizen more aware of the economic facts of life. Accordingly, the banker can assume leadership in providing an enlightened program of action. It would be a mistake for bankers to minimize their influence by looking backwards. A forward look would convince them that they speak for the new and changing mood of increasing numbers of plain people.

"While bankers as such should abstain in a Presidential year from purely partisan activities and from personalities, they have an obligation through banking advertising and otherwise to publicize concepts of sound money and scientific fiscal procedure. Bankers should not default on an opportunity to use their specialized knowledge to help the people achieve their goal of a stronger and healthier America."

Pacific Gas & Electric Offer Underwritten By Blyth Group

The stockholders of Pacific Gas & Electric Co. are being offered rights to subscribe to 2,271,300 shares of common stock of the company at the rate of one new share for each five shares held of record on June 10, 1952. The right to purchase the new shares at a subscription price of $30 a share expires on July 2, 1952. A nationwide group of more than 200 underwriters headed by Blyth & Co., Inc., has agreed to purchase from the company all unsubscribed shares at the original subscription price.

Proceeds from the sale of the common stock (believed the largest issue of common stock ever to be offered by a public utility) will be used to finance in part a construction program which will total $162,000,000 this year. Assets of the company at the end of 1951 were $1,627,000,000. The company expects an additional $450,000,000 of construction during 1952-54.

The present offering of common stock marks the year's third financing by Pacific Gas & Electric Co. The company sold $55,000,000 of first and refunding mortgage bonds on March 18. Last April, it sold $7,000,000 of redeemable first preferred stock at private sale.

Pacific Gas & Electric Co. supplies electricity and gas to more than 2,500,000 customers in 46 counties in Northern and Central California.

The company is believed to be the second largest public utility in the United States. Consolidated net income available for the common stock for the 12 months ended April 30, 1952, amounted to $2.31 per share. The company has paid uninterrupted dividends on its common stock for over 34 years and the present rate of $2 per share annually or 8% on par, has been paid since 1923, except during the period July 15, 1933, to Oct. 15, 1936, when the rate was 6%.

With Marache Sims

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Harold A. Phillips is now associated with Marache Sims & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange.

Two With King Merritt

(Special to The Financial Chronicle)

LOS ANGELES, Calif.—Miomir P. Illitch and Carolyn B. Smith have become associated with King Merritt & Co., Inc., Chamber of Commerce Building.

With Merrill Lynch Co.

(Special to The Financial Chronicle)

RALEIGH, N. C. — Albert J. Watts is now with Merrill Lynch, Pierce, Fenner & Beane, 324 South Salisbury Street.

Canadian Securities

By WILLIAM J. McKAY

Greater interest has centered in the rising flow of oil from northwestern Canada than in any other economic development in this section of the continent in recent years. For years Canada was a large importer of petroleum and petroleum products, and the absence of an adequate oil supply was a handicap to the progress of the Dominion, particularly in the movement toward industrialization. In the last five years, however, the oil industry of western Canada has had a marvelous growth, bordering on a tremendous boom. Because of her increasing oil production, Canada is now supplying about one-third of her oil consumption, and, if the rate of expansion continues for several years, it is possible, if not probable, that the domestic petroleum supplies will be ample to meet all of Canada's needs. What this means is that Canada will be placed in a better foreign exchange position, and there will be substantial savings in her dollar-exchange requirements.

Commenting on this favorable development and the widening influence of Canada's rising oil production, the Bank of Nova Scotia remarks:

"The gains in production and reserves reflect the acceleration of exploratory and developmental activity. Each year the various measures of activity—area under lease and reservation, number of geophysical crews at work, number of drilling rigs active, footage drilled, exploration and development expenditures—have set new records. It has been authoritatively estimated that by the end of 1951 no less than 160 million acres of prairie land were under lease or reservation compared with only 20 million in 1946, and already during 1952 several million acres have been added to this total, including large tracts in the Peace River area of British Columbia and Alberta. Oil exploration and development expenditures in western Canada for 1951 are estimated at $225 million against $12 million in 1946, and a figure of between $250 and $300 million is being mentioned for this year. As of March, 1952, there were 157 geophysical crews and 237 drilling rigs at work—up 30% and 60%, respectively, from a year earlier, and more than ten times the corresponding figures for 1946.

"The vast extent of the search is indicated by the fact that during 1951 oil strikes were made as far apart as Virden, Manitoba, and Fort St. John in the Peace River area of British Columbia, a distance of nearly a 1,000 miles. While the bulk of the work is of course being carried on in Alberta, and particularly in the central part of the Province where the major fields are located, exploratory activity now extends east from the Rocky Mountains across the vast sedimentary basin of the western plains to the Pre-Cambrian Shield and north from the United States border to Great Slave Lake in the Northwest Territories.

"In addition to the rising tempo of production and exploration, the past year has witnessed a number of striking and significant developments that have in fact ushered in a new phase in the history of Prairie oil and gas. Just a little over a year ago Alberta oil, brought 1,126 miles by pipeline from Edmonton to Superior, Wisconsin, and thence down the Great Lakes by tanker, reached Ontario refineries, and the capacity of the pipeline is rapidly being increased. Before the end of last year, the announcement was made that a second oil pipeline would be built, this time westward across the Rockies. Work on this 700-mile line has already commenced, and by 1954 oil should be flowing through it to serve the Vancouver area and, it is hoped, eventually the larger market in the Pacific Northwest States as well.

"Natural gas, too, has begun to move beyond the confines of the home market: the export of a limited quantity of gas to Montana for defense purposes, authorized early last year by the Alberta Government, began in February, and last month the Alberta Government gave its approval to a plan for building a pipeline to export gas from the rapidly developing Peace River area to Vancouver and the Pacific Northwest States. The year also witnessed the beginnings in Alberta of an industrial development based on natural gas as fuel or raw material that may in time assume substantial proportions. Construction of two large chemical plants has begun at Edmonton, now Canada's fastest growing city; a little farther east a nickel refinery is being built; and smaller industries also based on oil or natural gas have sprung up in various parts of the Province.

"The completion of the projects now under way or planned will clearly have important effects in widening the markets for western Canadian oil and gas, in stimulating the search for further reserves, and in broadening the industrial base of the Prairie economy. Another vista is opened up by the widespread interest in the Athabaska tar sands around Fort McMurray in northern Alberta. Several companies have taken out leases with a view to exploring the feasibility of obtaining commercial production from the oil-saturated sands."

Regarding the future outlook, the current issue of the "Monthly Review" of the Bank of Nova Scotia, states:

"There is no reason to doubt that a long period of growth lies ahead of the oil industry in western Canada. So far only some 2,100 wildcat wells have been drilled in the great potential oil area that stretches from the Rocky Mountains to the Pre-Cambrian Shield and from the U. S. border to the mouth of the Mackenzie River at the Arctic Ocean—that is, only one well for each 195,000 acres of possible oil territory. No one can predict with certainty, of course, how rapidly new discoveries will be made, nor how large reserves will eventually prove to be, but the events of recent months indicate no slowing down in the pace of development.

"In addition to the increases both in production and in exploratory and developmental activity in Alberta, promising events have occurred in widely separated parts of the west in the past year and a half. Early in 1951 light crude oil was found at Virden, in southwestern Manitoba. Though the Virden field has as yet yielded only semi-commercial production, it is of interest as the first find in Manitoba and the first in the Williston Basin, a vast area centering in North Dakota, and extending into South Dakoka, northeastern Montana, southern Saskatchewan and southwestern Manitoba. Unsuccessful prospecting had been going on in the Williston Basin for many years but, following the Virden find, a number of producing oil wells have been drilled in northwestern North Dakota and at Fosterton in Saskatchewan and several promising discoveries have been made at scattered points in the eastern part of Montana. While large-scale production in the Williston Basin is still a hope rather than an assured prospect, the discoveries have given sharp impetus to exploration on both sides of the border."

J. A. Hogle Extends Wire in US & Canada

SALT LAKE CITY, Utah.— James E. Hogle, managing partner of J. A. Hogle & Co., 132 South Main Street, members of the New York Stock Exchange, has announced that Hogle's direct private wire system linking the firm's 15 U. S. offices from coast to coast, has now been extended to Canadian stock exchanges in Toronto, Calgary, Edmonton and Vancouver, with the announcement of Locke Gray & Company as Canadian correspondents.

Increased activities in Canadian securities by American investors influenced the firm to expand their direct wire coverage so that customers could be provided immediate service and information on all approved stocks listed on the Canadian exchanges.

All transactions involving Canadian securities will be processed through Locke Gray & Company, members of the Toronto, Calgary, Edmonton and Vancouver Stock Exchanges.

With Vance, Sanders

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass. — Henry L. Johnson, Jr. has become connected with Vance, Sanders & Company, 111 Devonshire Street. He was previously with Paine, Webber, Jackson & Curtis.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

The announcement (late last Friday) that the $3,500,000,000 of new Treasury financing would be done through a 2⅜% bond due June 15, 1958, had a favorable effect upon the government market. The fact that a definite six-year maturity was used instead of an optional maturity makes the new obligation more desirable in the opinion of most money market followers. That subscriptions to the new issue were very heavy is attested to by the fact that the books were closed at the end of the first day. The premium of ⅜ of a point that the new bond commanded on a "when issued" basis is testimony of a successful flotation.

Considerable switching and swopping has developed in the market as a result of the new offering, with many of the outstanding intermediate-term issues being used as mediums for subscriptions to the new 2⅜% obligation. Not a few of the deposit banks that would have been buyers this week of the June 2¼s of 1959/62 have switched to the 2⅜s of June 15, 1958. It is expected that the new bond will bring about increased activity in the market, because there will be more moving out of the old issues in order to digest offerings of the 2⅜s of 1958.

Success of New Financing Assured

The first bank eligible financing since the early days of the second World War has created considerable excitement in the money markets. Although there are limitations as to amount of bonds the commercial banks can buy, it is the opinion of most money market followers that the deposit institutions in time will own more of them than nonbank investors. To be sure, to the extent that the new obligation finds its way into the deposit banks, it will result in an increase in deposits and purchasing power which will have inflationary implications. One of the prime reasons why nonbank investors are given the preference in the new offering is to prevent the creation of bank deposits because purchases by others than commercial banks results only in a shift in deposits. New purchasing power is not brought into being by this operation.

Commercial banks were allowed to subscribe to the extent of their combined capital, surplus and individual profits or 5% of deposits, whichever is greater. It looks as though the combination of capital, surplus and individual profits will be the method used by most of the deposit banks as a basis for subscriptions. No cash payments are needed by the commercial banks in making their subscriptions, and use of the Treasury tax and loan account to take care of subscriptions gives them a bit of a plum, depending upon how long these deposits remain with them. On the other hand, nonbank investors must accompany their subscriptions with a "good faith" token of 10%. The advantage, however, still remains with nonbank investors because they will get all the bonds they put in for, as against only $100,000 for commercial banks. Anything above the $100,000 amount for the commercial banks is subject to allotment.

Setback to Other Issues

The new issue was designed to go, and there is no question about it being a success, even at the risk of encouraging some padding of subscriptions and "free riding." This condition is not dissimilar to what happened in the second World War financing. The extent of the rise in the new issue will be dictated by the market action of the outstanding obligations, especially those close to the maturity range of the new security. The announcement of the new financing last week took its toll of the 2¼s of June 15, 1959/62, which became eligible this week. Positions had been built up in the June 2¼s and many commercial banks were getting ready to buy them last Monday. However, this did not take place because the deposit banks passed up the recently eligible 2¼s and put the money into the new issue.

It is also indicated that not a few of the 1⅞% certificates, due July 1, will be turned in for cash or sold, with the proceeds going into the new intermediate term obligation. Federal will no doubt take care of this part of the picture, since refunding and new money-raising operations of the Treasury have nearly always been given protection, when needed, by the Central Banks. By keeping open June 15, the Treasury is in a position to raise additional funds through tax bills, when, as, and if this should be necessary.

Economic Impact of New Issue

The inability of the conversion offer to raise new money for the Treasury hastened the new financing by the government, although the amount asked for was larger than many had expected. Making the new obligation bank-eligible was no surprise, neither were the limitations on bank subscriptions. However, in the amount that the new bonds are bought by the commercial banks, there will be a creation of deposits and purchasing power. It could be that the monetary authorities, that is both the Treasury and Federal, would not be averse to having a certain amount of reflation take place. The economic scale, it seems, has gotten out of balance, with the pull now slightly towards the deflationary side. This, in the opinion of many observers, is a healthy condition. However, with the recent action of Federal in eliminating regulation W and modifying regulation X, and a downward revision in stock margins a possibility, there would appear to be a movement afoot towards some sort of reverse action on the part of the powers that be.

Frank L. Edenfield Joins George R. Holland Assoc.

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla. — Frank L. Edenfield has become associated with George R. Holland Associates, Pan American Bank Building. Mr. Edenfield was formerly Vice-President of Curlette & Company, Inc.

With Walston, Hoffman

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, Calif. — Arthur E. Stewart has been added to the staff of Walston, Hoffman & Goodwin, 408 Fourteenth Street. He was formerly with Schwabacher & Co. and E. F. Hutton & Co.

Continued from first page

As We See It

who then used it as a sort of pattern to which to cut their own cloth.

A Different Situation

Elements essential to such a course no longer exist. Possibly the "accord" last year had something to do with disappearance of these factors. More essential, however, is a fundamental change in the situation which in reality produced the "accord." But however all this may be, the fact is that rival bids for funds are now in the market, the public is no longer in a frame of mind in which it is inclined to eat out of the Treasury's hand, and the pressures of total war are absent.

In any event, it is to be carefully recalled that even in the war days, the Treasury borrowed heavily, very heavily, from the banks. Today, it can borrow from nonbank sources in any significant amounts at all only by offering the holders of saved funds issues which meet their approval in a stituation where they can turn to other and competing borrowers. That is but another way of saying that long-term bond offerings by the Treasury, to be successful nowadays, must carry a yield which, by and large, meets the approval of the investors, not merely one which suits the Treasury's convenience or conforms to Fair Deal ideas of how the economy should be managed.

The Treasury has been slow in coming to any realization of the changes in the environment in which it must operate. The naivete of the recent offering of nonmarketable bonds was to most of us almost incredible. If there is any one who even yet understands the rationale of this blunder, we have not made his acquaintance. If one brings himself to believe that the Treasury houses a number of Machiavelli's, one might come to the conclusion that the real object of this left-handed approach to the market was to "prove" that long-term financing outside the banks is impossible at this time. Actually, it proved nothing of the sort.

No one who has been following the money market of late could well doubt that a long-term Treasury bond bearing an acceptable coupon rate could have been, and still could be, sold without difficulty to nonbank investors. At least a great many corporations, as well as municipalities, have had good success in doing so of late.

But for the time being, we apparently must reconcile ourselves to a monetization of forthcoming Treasury deficits. The most recent exchange offer revealed no interest on the part of the authorities in funding existing debt out of the portfolios of the banks. Recent additions to the weekly bill offerings could hardly be regarded as indicating any concern about going to the banks for new money. And now comes an offering of six-year bonds fully available for bank investment. Commercial banks with the privilege of paying for their subscriptions with credits to their tax and loan accounts can hardly be expected to pass up such an opportunity — provided they have the funds available.

Whether, by and large, they have funds available for such an investment will be determined largely by Federal Reserve action. Member bank reserves have not been overly plentiful for a good while past. "Federal funds" have been high for a long time. Commercial banks might very well not find it profitable to sell existing holdings in a tight money market in order to buy these new issues of the Treasury.

Federal Reserve Active

But the Federal Reserve is as familiar with all this as any one else, and the "accord" is not preventing it from doing something about it. During the two weeks ended June 10, the Reserve system added nearly a quarter of a billion to its holdings of Treasury obligations. It has come back into the bill market in a substantial way, and has been increasing its portfolio of the other shorter term obligations. This it has done despite the fact that the "float" has been adding very substantial amounts to the total Reserve credit outstanding.

Thus we have all over again the unfortunately familiar spectacle of the Federal Reserve authorities aiding and abetting the Treasury in rigging the market for the purpose of selling its obligations for more than buyers, generally speaking, are willing to pay. One would suppose that experience, particularly World War II experience, would warn the powers that be away from such tactics as these. But, of course, this is an election year, and there are evidently a number of the economic planners and managers at Washington who are not too well pleased with the business outlook despite the fact that rearmament expenditures are rising and give every assurance of continuing to rise for a good while yet.

Here is a spectacle which, we should suppose, tends definitely to destroy faith in any sort of managed economy. We can only hope that it will have some such effect this time. It has not always had it in years past, but the time must come sooner or later when the scales will begin to fall from our eyes. And this, an election year, would be a most opportune time for that to happen.

The Business Outlook During Balance of 1952

Prudential Insurance Co. of America analysts, headed by Dr. Gordon W. McKinley predict continued high level of business for remainder of year, with both gross national product and personal income at highest levels in history. Expect slight rise in living costs.

A moderate rise in the cost-of-living index over the remaining months of 1952, despite the possibility of intermediate fluctuations contrary to this trend, is forecast by economists of The Prudential Insurance Co. of America.

At the same time, they look for a continued high level of general business activity with both gross national product as well as personal income for 1952 substantially surpassing any previous year in the country's history.

These forecasts highlight a report on conditions prepared by Prudential's staff of economists headed by Dr. Gordon W. McKinley. Confirming their prediction of last Fall, the report points out that the Bureau of Labor Statistics recently released first quarter figures setting the cost-of-living index at 188.3 as against the 188.0 anticipated by the company. Contrary to current reports in some financial publications which predict a drop from this level, the Prudential analysis says, "we feel that if there is any sustained movement in the cost-of-living index over the rest of the year, the tendency will be upward rather than downward."

In support of its outlook for general business, the report points to five major factors: seasonally adjusted plant and equipment investment this Spring at the highest level ever attained, government spending higher than at any time except during World War II, personal income and consumer spending above the levels of last September, an encouraging inventory situation, and personal savings running at an annual rate of approximately $17.5 billion.

Not all of these factors were correctly evaluated by all business forecasters last Fall, the report indicates. Government forecasts fixed the probable extent of personal savings during 1952 at $13 billion whereas the Prudential estimate was confirmed by results showing that the general public is setting aside about a third more than this amount.

The report also warns against too much reliance on department store sales as a complete measure of general business activity. "Department store sales," the report states "often indicate quite well the total volume of retail sales. So far this year, however, they have moved in the opposite direction from total retail sales. Seasonally adjusted retail sales have been moving steadily upward since last December whereas seasonally adjusted department store sales have been declining steadily since last November. The picture presented by department store sales is, therefore, unduly pessimistic and not representative of general retail trade activity which is at present at extremely high levels."

Birthday Greetings To Lewis H. Serlen

Belated birthday greetings are in order for Lewis H. Serlen, of the unlisted securities department of Josephthal & Co., 120 Broadway, New York City, who celebrated his birthday on June 17. Mr. Serlen, who has been trading in the "Street" for the past 25 years, has been with Josephthal for 19 years. While his principal avocation is cheering the Dodgers, he also favors golf, soft ball and bowling.

Lewis H. Serlen

Wall St. Post of Am. Legion Elects

The Wall Street Post, No. 1217, of the American Legion held their annual election June 10 and elected the following officers:

Commander: Joseph A. Fischer.

Vice-Commanders: Andrew J. Belfi, Luckhurst & Co., Inc.; Miss Polly Honl; Robert N. Kullman, Carl M. Loeb, Rhoades & Co.

Chaplains: Rev. Colonel John L. Cunningham; Dan Jordan Masin.

Adjutant: Clement D. Asbury, P. C., Thomson & McKinnon.

Assistant Adjutants: Dr. William Kendall, Lee Martin Kahn.

Finance Officer: Marie McMillin.

Historian: Otto A. Valfer.

Judge Advocate: Earl Q. Kullman.

Service Officer: Thomas E. Tisza, Dominick & Dominick.

Sergeant-at-Arms: James L. Cooke, Brooklyn Trust Company.

Executive Committee: John J. O'Kane, Jr., P. C., John J. O'Kane & Co.; Alfred W. Miller, P. C., Dominick & Dominick; George A. Searight, P. C., Eisele & King, Libaire, Stout & Co.; William J. Ficken, P. C., Dominick & Dominick; Richard Hettler, P. C., Thomson & McKinnon; William F. Scanlan, P. C.; Donald A. Raphel, P. C.

Merrill Lynch Opens New Toronto Office

Merrill Lynch, Pierce, Fenner & Beane, leading investment banking and brokerage firm, opened its first Canadian office in Toronto June 17.

Winthrop H. Smith, managing partner of Merrill Lynch, was present at the opening with partners Edward A. Pierce, M. Rubezanin of New York; Homer P. Hargrave of Chicago, and E. Howard Roth of Buffalo. Mr. Pierce, a senior partner of Merrill Lynch, has been a member of the Toronto Stock Exchange since 1925.

The office, Merrill Lynch's 106th, is located at 35 King Street, West. It will be under the management of T. Gordon Crotty of Toronto, who has had extensive experience in the securities business and until recently was associated with the Bank of Canada.

The ground floor office will feature a large board showing latest quotations on 500 Canadian and U. S. securities and up-to-the-minute commodity prices. The office will also have Toronto and New York Stock Exchange tickers with Translux screens, Canadian Dow-Jones news wire service and the Merrill Lynch special news wire.

The Merrill Lynch special news wire carries a daily stream of over-the-counter, curb and commodity quotations plus news flashes of industrial and business developments, research findings and new offerings.

Merrill Lynch also provides a complete underwriting service which will be an important part of the firm's Toronto operations also available to Canadians. These services include supplying new money for industry, aiding in the refinancing of established firms, helping private holders of securities to dispose of blocks of stock too large to offer on the floor of the Exchange, and arranging the private placement of securities with insurance companies and other institutional buyers. Last year Merrill Lynch ranked sixth among U. S. underwriting houses in corporate security offerings.

The Toronto office will provide Canadian investors with the full facilities of Merrill Lynch's research division. The research division, comprised of a staff of over 100 specialists in every established industry, furnishes customers with basic concerning corporate securities and interprets industrial and economic trends. Another important function of the research division is to help investors, whether individual or institutions, in formulating their investment programs. On request, the research staff will also review and analyze securities of any portfolio.

In the quarterly publication, "Security and Industry Survey," research specialists give critical analyses of business and industrial trends and appraise the investment standing of important stocks and bonds. Merrill Lynch also publishes a number of other informational booklets on securities and commodities which are available to the public on request.

Hirsch Co. Admits

Hirsch & Co., 25 Broad Street, New York City, members of the New York Stock Exchange, on July 1 will admit Marshall S. Mundheim to partnership.

With McPherson Co.

(Special to THE FINANCIAL CHRONICLE)

HOWELL, Mich.—Mark L. McGovern has joined the staff of McPherson & Company, 105 West Grand River Avenue.

With Edgerton, Lofgren

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif. — William Bagnard is with Edgerton, Lofgren & Co., 609 South Grand Avenue.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

Investors that follow insurance shares are looking forward with considerable interest to the publication of operating results covering the first six months of the current year.

While there are some reasons for expecting an improvement over the results experienced in the first half of last year, losses and expenses have continued to increase. Thus, the semi-annual reports are awaited to give an indication of the various forces at work in the underwriting field.

Although it is not the practice of insurance companies to issue quarterly reports, one of the major units, Glens Falls Insurance Company, published a quarterly statement which gives some indication of what happened in the first three months.

It should be pointed out, however, that this is not necessarily indicative of the experience of other companies during the same period or what might be expected for the full year. Differences in underwriting lines with respect to volume could account for a wide variation among individual companies. There is also, a seasonal factor to consider. However, the trends shown in the Glens Falls report are worth reviewing.

	Three Months to March 31 1952	1951
Premium writings	$16,055,379	$13,414,563
Increase in unearned premium reserve	1,244,817	965,188
Premiums earned	$14,810,562	$12,449,375
Losses incurred	$8,650,990	$7,595,104
Underwriting expenses	6,442,473	5,498,080
	$15,093,463	$13,093,184
Underwriting loss	*$282,901*	*$643,809*

It is interesting to note that for the full year 1951 the statutory underwriting loss of Glens Falls was only $719,000. In other words the company was able to operate for the final three quarters of last year on practically an even basis. If the company should operate on a similar basis this year, although that is not necessarily what is expected, the operating loss for 1952 would be considerably below that of a year ago.

Another factor to be kept in mind is that a substantially higher volume of business is being handled. The gain for the Glens Falls Group in the first three months was almost 20%. As the commissions and a large part of the cost of processing the additional volume are paid in the year in which the insurance is written, a gain in premiums tends to reduce underwriting profits. Thus, the above showing is quite favorable under the circumstances.

There are a number of factors which may possibly account for the improvement in the above operating results and which may reveal a basis for expecting some gain in the reports of other insurance companies to be issued for the first six months.

One of the most important of these factors was carry-over of the storm losses into 1951. The disastrous storm which struck the northeast section of the country in the latter part of 1950 not only affected operating results in that year but because of the widespread damage, a large volume of losses were not received until 1951. Thus, operating results in the first half of 1951 reflected part of the storm losses of the previous year.

Similar problems have not troubled insurance companies so far this year and it is unlikely that there will be a recurrence of those extreme conditions. Also, there have been several rate increases in windstorm and extended coverage rates so that this phase of the business should be profitable instead of being a drain on earnings as it was a year ago.

Another hopeful sign in the present outlook is that costs appear to be leveling off even though at an extremely high level. Once costs stop rising and stabilize, it is possible to bring operations into balance. This is not possible during a period of rising costs as rate adjustments lag behind increases in prices.

Regardless of this, however, it seems likely that casualty operations should show improvement over the extremely poor results experienced last year. A rate increase of approximately 15% on automobile lines put into effect last year is now being fully reflected in operations and the increase of about 20% recently approved should begin to be felt as the year progresses and old policies are renewed at the higher rates.

These two factors—elimination of the storm loss carry-over and the stabilization of casualty losses—regardless of the minor fluctuation in other phases of operations should be sufficient for most insurance companies to show improvement in their underwriting results for the first six months.

Just how much improvement remains the big question. Of course, it will vary with each individual company and this is one of the reasons that the semi-annual reports are awaited with such interest.

Joins Cons. Invs.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Jack A. Dalziel has become connected with Consolidated Investments, Inc., Russ Building.

Joins Westheimer Staff

(Special to THE FINANCIAL CHRONICLE)

CINCINNATI, Ohio — Neville E. Fairley has become associated with Westheimer & Company, 326 Walnut Street, members of the New York and Cincinnati Stock Exchanges.

A Plan to Reduce The National Debt

Henry H. Heimann, Executive Vice-President of National Association of Credit Men, would lower cost of government to make possible a 3% reduction annually in National Debt and at same time permit a 3% credit on tax bill of every taxpayer.

Henry H. Heimann, Executive Vice-President of the National Association of Credit Men, in his current "Monthly Business Review," published by his organization, presents a formula for reducing the National Debt by 3% each year for the next four years, and which, in turn, would give a reduction by that percentage in the Federal tax levy each year.

Henry H. Heimann

"Let us assume that we could so reduce the cost of government that it would be possible to reduce our national debt in each of the next four years by 3% of its total," Mr. Heimann states in presenting his program. "Such a plan should contain a pledge that when this 3% reduction of debt is accomplished a 3% credit will be allowed on the tax bill of every taxpayer in the United States for the succeeding year. Since the total debt is some four or five times that of the total receipts of the government, such a plan would make debt reduction possible in future years until we had at last reached a point where the debt was more manageable and less of a threat to our solvency or until by successive tax reductions we had established a reasonable tax load. This plan would, as years went by, reduce tax levies and diminish the rate of debt reduction, but such tax reduction would in turn create more taxable income. The debt reduction also would automatically reduce the interest charges."

This formula was presented by Mr. Heimann after a discussion of the present enormous National Debt which he said is wholly unorganized and is on a maladjusted maturity basis. A courageous man in the White House, he points out, should attempt to devise some formula by which an appeal would be made to the American taxpayer to support a high tax policy in the interest of fiscal soundness, but as a reward for such support favorable tax consideration should be promised by the government on a definite earning basis.

Bonner, Gregory to Admit

Bonner & Gregory, 30 Pine Street, New York City, members of the New York Stock Exchange, will admit Edward H. Nelson to partnership on July 1.

Walston, Hoffman Admit

Walston, Hoffman & Goodwin, members of the New York Stock Exchange, will admit F. N. Berry to limited partnership on July 1. Mr. Berry will make his headquarters in the firm's New York office, 35 Wall Street.

On June 30, Carl S. Wittmer, Jr., and William L. Minick will retire from the firm.

Joins Zimmerman Staff

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Mary L. Brown has joined the staff of Hazel Zimmerman, 632 South Westmoreland Avenue.

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The SEC Acts and Investment Banking

and investors to become better informed about the issue. On the other hand, however, coupled with the exemption from registration of so-called private sales and the saving of all the time, trouble and expense incident to registration, this slowing up of the underwriting and distributive process is largely responsible, in my judgment, for the ever-increasing growth of private placements. This development, in turn, which I am sure was neither foreseen nor intended at the time of the passage of the Act, has perhaps had the most profound adverse impact on the investment banking business generally. I think this development also has had serious detrimental effects on the smaller institutional investor and, indeed, in my opinion, has not always been in the best interest of the issuer. I should like to discuss this problem in more detail in connection with our recommendations for amendments to the '33 Act.

I do not think that the '33 Act has functioned as it should or as it was intended to function in the matter of getting understandable up-to-date material information about an issue to the average, and particularly the unsophisticated, investor. The average prospectus which has evolved as the result of the Act, and even giving full recognition to the fact that there have been some improvements in it recently, is such a long technical document that, in my opinion, it is seldom read, and even more seldom understood, by the average investor. In addition, the restrictions on discussions, offers, communications, etc., during the waiting period and even after the offering date, have all operated in the direction of providing less, rather than more, information to the average investor. All of this has obviously made the selling or distributing process much more difficult for the investment banker than for any other merchant of which I know, and much more difficult than it need or should be without in any way adversely affecting investor protection. I shall, therefore, discuss this problem in more detail in connection with our recommendations for amendments to the '33 Act.

Question No. 2—The Effect of the 1933 and 1934 Acts on the Flotation of New Securities.

I think I have already touched upon the principal effects of these two Acts on the flotation of new securities generally in my answer to Question No. 1. The '33 Act particularly has made the business of underwriting and distributing new securities a more scientific or professional, if you will, operation, and in general this effect has been good. By the same token it has made the flotation of new issues much more time-consuming and more expensive. We do not object to this result particularly, in and of itself, to the extent that it is necessary in the interest of investors and the public, but, as I have already pointed out, coupled with the exemption of so-called private sales, it has contributed in large measure to the growth of private placements and the problems created thereby for all concerned. I have also mentioned the effects of these two Acts on the problem of selling, but these problems do not seem to me at all insuperable and I think can be corrected by appropriate amendments to the Acts without adversely affecting investor protection.

Question No. 3—The Effect of the 1933 and 1934 Acts on the Raising of Capital for New Enterprise.

I think it is exceedingly difficult, if not impossible, categorically to answer this question because so many factors come into this picture which have nothing to do with either the '33 or the '34 Acts. In the first place, we must consider the size of the new enterprice or the kind and amount of capital required. It would seem that the Congress had this problem in mind when, in Section 3(b) of the '33 Act, as amended, it authorized the Commission to exempt certain small issues from the trouble and expense of registration. The Commission has accordingly granted issuers not putting out more than $300,000 worth of securities in any one year exemption from the more burdensome type of registration, so the '33 Act, in and of itself, does not seriously affect the raising of capital for new enterprise in amounts up to $300,000 in any one year.

In amounts above $300,000, however, and below a million or a million and a half, I think the time, trouble and expense of registration is a contributing factor tending toward discouraging public financing in this category. It must be obvious, and I believe the figures of the Securities and Exchange Commission bear this out, that it is relatively more costly per unit to register a small issue under a million or a million and a half than it is to register larger issues. But I would be less than fair if I did not indicate that there are many other factors which tend to discourage public financing of relatively small new enterprise. Whether we are talking in terms of stock or bonds, the risk which an underwriter takes if he makes a firm commitment obviously is greater than the risk involved in an underwriting of an old and established company, and consequently the underwriter's profit and the distributor's profit must be greater. Some State Blue Sky Laws place an arbitrary limit upon such profits and sometimes these limits are discouraging factors.

Without attempting to catalogue all of the factors which come into this picture, I do want to mention the impact of our tax laws because, in my judgment, this factor has a greater bearing upon the difficulties of raising capital for new enterprise than perhaps any other. I am sure the members of the Committee are aware that, in the past, so-called venture capital of this sort was supplied largely by wealthy or relatively wealthy people who were reasonably sophisticated investors and could afford to take the risks necessarily involved. Now, because of the steeply graduated income tax rates, our present treatment of capital gains and losses, and double taxation of corporate dividends, there is little if any inducement for this class of investors to take the risks involved. For all practical purposes they have everything to lose and very little, if anything, to gain. The larger class of people now with moderate means and savings are relatively unfamiliar with this type of investment and, indeed, many of them, because of their commitments and responsibilities, perhaps should not make direct investments of this type. But there are many who could and should, and I think the education of this group to invest directly in industry of all types is one of the greatest challenges confronting the securities business today. Perhaps it is not particularly perti-

nent here, but I think the Committee might be interested to know that, individually and collectively, our business is becoming increasingly aware of this challenge and is taking steps to meet it, because it has great social and political, as well as economic implications. However that may be, I am certain that the problem of taxes, with all of its ramifications, is perhaps the key to solving the equity capital problem for new enterprise, rather than amending the securities acts, although some amendments, such as an increase in the $300,000 limit, would undoubtedly help.

Question No. 4—The Effect of the 1933 and 1934 Acts on the Market for Securities, and Related Matters.

I am assuming that the Chairman's question this time has to do with the primary or new issue, as distinguished from the Exchange markets. You have already heard from the Presidents of the New York Stock Exchange and the New York Curb Exchange, and I think they are obviously in a better position to comment upon the impact of these two laws upon the Exchange markets than am I. I shall address myself very briefly, therefore, to the effects of these two laws on the so-called primary market.

Again, in my judgment, the principal and most far-reaching effect, particularly of the '33 Act, upon the primary or new issue market has been its tendency to encourage the growth of private placements. I do not mean to suggest that this legislation is the only factor contributing toward this development, but I feel sure that it is one of the principal factors. The Securities and Exchange Commission, in its 17th Annual Report to the Congress for the fiscal year ended June 30, 1951, sets forth on page 197 a table giving "An Eighteen-Year Summary of Corporate Bonds Publicly Offered and Privately Placed in Each Year —1934 through 1951—By Calendar Year," showing for each year, in millions of dollars, total offerings of bonds, those publicly offered, those placed privately, and the percentage of total offerings placed privately. Percentagewise, this table shows that 24.7% of total offerings were privately placed in 1934. This percentage dropped off to 9.2% in 1936, but, with a few exceptions, the percentage of private placements of bonds to total offerings has steadily grown until, in 1951, an estimated 56% of corporate bonds sold were placed privately. I understand the final figure for 1951 was 58.8%.

From a social or economic standpoint, investment bankers would have no right to complain if their services are dispensed with because the issuer and purchaser have discovered a cheaper and more effective direct method of doing business. If nothing more were involved, one could only regard private placements as a step forward in efficient security distribution, with ultimate benefits to the nation as a whole. In other words, investment bankers can justify their place in the economy only insofar as their services are useful and necessary. But this development, as I have already suggested, has social and economic significance to others than investment bankers. First of all, it makes for a high degree of concentration of our prime corporate debt in the hands of relatively few large institutional investors, and denies such prime investments to small institutional buyers, trust funds, pension funds, fraternal organizations and the like. In my judgment, many issuers who have placed securities privately, had they had a really free choice would have preferred a widespread distribution of their securities so that a secondary market might have been made therein, for public relations and other reasons. Many of these securities might well have been listed on Exchanges, and so this development has had its impact too upon the Exchange market. We do not feel, therefore, that we are indulging in any special pleading when we urge, as I shall a little later, certain changes in these laws and the Commission regulations thereunder which are designed to put these two types of financing upon a more truly competitive basis.

It is also my personal opinion that these two laws, in their actual operation, have tended to make the primary or new issue market a more restricted professional market than was the case prior to their enactment. A part of this result was intended and is all to the good, and a part has been due to a great many factors having nothing to do with the securities legislation, such as the treatment of interest and dividends under our tax laws, the institutionalization of savings, the shift in the ownership of savings and the like. But if the investment banker is to perform what I consider one of his primary functions at the present time—and that is to spread the base of ownership of American corporate enterprise—it seems to me that we must do everything we can to enable him again to be an aggressive salesman, as distinguished from an order-taker, and that certainly involves removing all unnecessary impediments to the selling process which are consistent with a high standard of ethical and professional conduct and the basic investor protections contemplated by these laws.

So much for my general comments in response to the first four questions which your Chairman put to me. I shall of course be glad to elaborate upon any of these if you so desire.

Question No. 5—Suggestions for Amendments to the Statutes Administered by the SEC.

As I indicated earlier, I would prefer to confine my suggestions primarily to the 1933 and the 1934 Acts because I am more familiar with their operation than with the other laws administered by the Commission.

The 1933 Act has been substantially unchanged since 1934, and with respect to a new regulatory venture of this sort it is only natural that many unforeseen difficulties have arisen in connection with it and that it has, therefore, brought forth a great deal of discussion both within and without the industry. From time to time in the intervening years many recommendations for specific amendments have been made which were designed to remove unnecessary obstacles to the conduct of legitimate business without substantially affecting the basic purposes of these acts. For a variety of reasons, including World War II, practically nothing tangible has resulted from all these discussions and suggestions, so we are particularly happy that this Committee has seen fit objectively to tackle this very big and complicated problem as it has.

I do not intend even to attempt to catalogue all of the problems which have arisen in our experience with these Acts. To do so and then to discuss them even briefly would take much more than our allotted time, and I know many of them have already been brought to your attention. I think I can, however, by reference call the Committee's attention to most of them for purposes of the record. I plan, therefore, to discuss only two or three major problems which seem to me of prime importance to the investment banking phase of our business and which call for the most immediate action. We can then perhaps, in an informal way, go into any additional amendment problems about which the Committee may have questions.

As the Committee doubtless knows, perhaps the most comprehensive analysis of these two Acts, looking toward their appropriate amendment, was made by representatives of the New York Stock Exchange, the New York Curb Exchange, the National Association of Securities Dealers and the Investment Bankers Association on the one hand, and representatives of the Securities and Exchange Commission on the other, in 1940-41, and this with the blessing of the then members of the Interstate and Foreign Commerce Committee of the House. This joint industry SEC study resulted in agreement between the parties that, as of that time (over ten years ago) some 84 amendments were indicated to both Acts. Some of these, true enough, were technical in nature, but many were of substantive importance. The conferees agreed on the solution of some of the problems but disagreed as to the solution of others. The important point, however, for present purposes, is that all parties agreed that there were at least 84 amendment problems involved at that time. The industry jointly submitted one report to the Congress, and the Commission another. Extensive hearings were held before the Interstate and Foreign Commerce Committee of the House, but this very substantial effort had to be put on the shelf because of the outbreak of World War II.

I know that this Subcommittee has all of this material before it, so, as I have just indicated, I do not plan to go into, here, all of the 80-odd problems therein presented and discussed in detail. I think I should say, however, that I am not at all certain that if the industry were polled today on even the agreed-upon solutions to the problems presented at that time, it would now agree to all such solutions, because developments in the interim may well have changed industry thinking. I don't think developments in the interim, however, have greatly changed the number or siginificance of the problems agreed to exist at that time, and I commend all of them to your consideration.

I am sure the Committee is aware also of the Task Force Report on Regulatory Commissions, prepared for the Hoover Commission on organization of the Executive Branch of the Government in 1949, and the comments and recommendations therein with respect to the Securities and Exchange Commission. I do not plan to comment upon this in detail, but it, like the joint industry-SEC study of 1940-41, points up particularly the need for greater integration of the statutes administered by the SEC and some deficiencies of the Commission in their administration.

Private Placement

As I have already indicated, the one effect of the Securities Act of 1933 which, in my opinion, disturbs our whole industry the most, is the tremendous volume of securities, largely high-grade bonds, which are sold by issuing companies direct to insurance companies and other large institutional buyers for investment on a so-called "private" basis without the necessity of registration under that Act. Former Chairman McDonald of the Securities and Exchange Commission recognized the implications of this development for our business and others adversely affected, and in a recent report stated that the problem required suggestions and action from our industry. I followed with interest also the hearings which this Committee has already held on this matter. We are very glad, therefore, to have this opportunity to discuss it with you.

I have already shown, percentagewise, the extent of the growth of private placements since 1934—from 9.2% of all bond offerings in 1936 to 58.8% in 1951. To give you an idea of the amount of the volume involved, private placements exceeded $2,600,000,000 in 1950, and in 1951 exceeded $3,400,000,000.

These bonds are placed with the buying institutions who take an immediate firm commitment, and there is no suggestion that the provisions of the Act are in any way violated by such procedure.

You will recall that before the enactment of the 1933 Act it was customary for issuing companies to sell securities through investment bankers and dealers by means of a "circular" or "prospectus" ordinarily three or four pages long in the case of a large company. The selling investment bankers or dealers ordinarily advertised such issues by a newspaper summary of such circular.

The provisions of the Act, taken with the regulations promulgated from time to time by the Securities and Exchange Commission thereunder, the deficiency memoranda of the SEC registration division, and the desire of issuers not be sued on incomplete registration statements, led and still lead to a form of prospectus far greater in length, which takes a much longer time in preparation and in many cases far greater expense than was the case under the old method. In addition there is a "waiting period" after a registration statement is filed and before the statement becomes effective and before an issue gets a firm commitment from underwriters. It is no exaggeration to say that for a public offering, the period between the time when a company makes up its mind to finance and the time when it can sell its securities is at least doubled, and perhaps in most cases tripled, as against the time required before the Act. The amount of time required by important personnel in the issuing company and their accountants and lawyers and the personnel of the investment banking house is increased accordingly. The expenses, especially the printing, mailing, legal and auditing expenses, involved are ordinarily subtantially greater.

It is not necessary to speculate on the effect of such a state of affairs, for the effect, we believe, has been demonstrated by the steady growth and tremendous volume of direct sales to institutions without registration under the Act, notwithstanding the opinions of certain insurance company executives who testified at your earlier open hearing on this subject.

It is obvious why investment bankers and dealers are concerned. Other groups of people seriously affected, as I have indicated, are the medium and smaller sized insurance companies, universities, hospitals, trust funds, pension funds, banks and other institutional accounts which, because of the fact that it is easier to make these direct sales to a few of the larger institutions, have for the most part been unable to participate in the purchase of bonds of many of the best utility and industrial companies in the country. Needless to say, these serious handicaps on public sale have not given corporate management a fair option to finance privately or publicly as their best judgment might dictate.

The procedures required by the 1933 Act and the rules thereunder have led to a most illogical result in the case of companies whose securities are registered under the 1934 Act and are listed and traded in publicly on national securities exchanges. For instance, the public is entirely free to buy A. T. & T. outstanding common stock and of course does so in very large volume. A. T. & T. files all the information required by the 1934 Act and the regulations thereunder promulgated for the purpose of making the necessary information available to the public with respect to that company. When, however, A. T. & T. decides to sell preferred stock or bonds, both of course senior and entitled to a preference over the common stock traded in by the public, or new common stock, it is required under the 1933 Act and the regulations thereunder to prepare lengthy and completely different documents, but approximately the same financial statements, for filing with the Securities and Exchange Commission, and it has to take the risks of the market during the waiting period while such papers are being examined by the SEC before it is free to sell the senior or additional securities.

If there are matters considered pertinent which are not covered by the registration papers under the 1934 Act, let them be specified and let the company file them before proceeding with the issuance of the additional senior securities, but certainly this should not require any long waiting period.

Of course a further complication in connection with utility securities is the unnecessary overlapping and duplication of activities by governmental regulatory authorities on the state and Federal level. There is no requirement to register railroad securities under the Securities Act, apparently on the theory that railroad financing is supervised and regulated by the Interstate Commerce Commission. Similarly, there is no requirement to register securities of banks, the capitalizations, investments, etc. of which are supervised by the Controller of Currency or the Federal Reserve authorities. It seems to me entirely logical, therefore, that utility companies, whose financial affairs are under the supervision of the Securities and Exchange Commission, in its administration of the Public Utilities Holding Company Act, or under the supervision of a recognized state commission, should also be freed from the unnecessary delays and additional expense imposed by the Securities Act.

In order to point these comments up, I would suggest with respect to this question of registering securities senior to the securities traded on exchanges and registered previously under the 1934 Act, and to eliminate the duplication and overlapping and unnecessary expense of dual action by government regulatory authorities the following amendment to the 1933 Act:

"A registration statement with respect to securities of a qualified issuer, and any amendment thereto filed after the effective date of the registration statement, shall be effective when filed.

"The term 'qualified issuer' shall mean:

> "An issuer which is a corporation organized under the laws of the United States of America, of any state of the United States of America, of any territory, or of the District of Columbia, and (a) which has securities of any class junior to the proposed issue being filed, registered under the Securities Exchange Act of 1934; or (b) the issuance or sale of the securities of which is expressly subject to authorization or approval or is regulated, by any Federal or State regulatory body having jurisdiction over the issuance of such securities."

Some of our members have advocated a new rule by the Securities and Exchange Commission, as distinct from an amendment to the law, for the issues covered above, which I am advised by counsel

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could combat the growth of "private placement." I am advised by counsel that this could be done without requiring any amendment to the 1933 Act. This might involve a rule of the SEC making clear the specific matters to be covered in a simplified registration statement with respect to such senior securities. And for companies not registered under the 1934 Act for listing on stock exchanges, such a rule might permit a greatly simplified registration statement with respect to debt securities which had been given quality ratings by at least two independent rating agencies permitting purchase thereof by banks, or debt securities which otherwise meet certain specified tests. As you know, all bonds proposed for public offering are rated by independent rating agencies with a designation such as "Baa," "B1+," or in the case of higher rated bonds, "A," "AA," and "AAA." The Baa by one of the agencies and the B1+ by another agency are considered appropriate for banking investments by the bank examiners.

The securities registered under such a filing should be stated by the rule to be salable within a maximum period of 48 hours after filing. The rule might also permit offering by means of a greatly simplified prospectus.

It is difficult to see how such a change in existing requirements could harm anyone. It certainly would ameliorate the concentration of ownership of high-grade bonds in a few hands to the benefit of small- and medium-sized investors of all types, and it would equalize the opportunity of choice of corporate management to do public or private financing.

In summary, I have suggested two methods of combating the private placement evil; (1) by an amendment of the law permitting the immediate issuance of securities senior to those listed on national exchanges under the 1934 Act and those, the issuance of which is subject to the approval by Federal or State regulatory bodies; and (2) an amendment of the rules of the Securities and Exchange Commission under the 1933 Act to permit acceleration of the financing of bonds given a bank rating by independent agencies. Since some securities will be covered by one of these methods and some securities by the other, both procedures are advocated.

I want to make it clear that I would not in any way want to rescind present requirements for audited income statements and balance sheets, except that I would extend the time that audited statements can be filed so as to eliminate the necessity of intermediate audits, nor would I advocate extending the proposed rule beyond the limits outlined above. If it is not the disposition of the Securities and Exchange Commission, however, to amend its rules to remedy the situation of which I speak with respect to bank-rated bonds, I would request your Committee to initiate legislation for that purpose. The proposed amendment of the 1933 Act with respect to securities senior to those listed on a national exchange under the 1934 Act, and securities the issuance of which is approved by Federal or State regulatory bodies, would seem to be so logical and so likely to help solve the private placement problem that I would hope this Committee would initiate such legislation at the earliest practicable date.

Amendments to Section 5 and Related Sections of the Securities Act of 1933.

Section 5 establishes the basic procedures or requirements of the Act with respect to the registration of issues of securities subject thereto, the use of prospectuses in connection therewith, and the making of offerings, sales and deliveries of such securities. It has presented serious problems for both the Commission and the industry ever since its enactment. It was the subject of much discussion in the 1940-41 joint industry-Commission study and it was one of the important amendment problems in that study on which the industry and the Commission could not reach agreement.

There have been a great many conferences, since the conclusion of the war, between representatives of the Commission and representatives of the industry on this problem. As a matter of fact, it was decided after the war by these conferees to give preference to the solution of this problem over all others which were considered in the 1940-41 joint survey, but for a variety of reasons the Commission and representatives of the industry have been unable to reach agreement to date although, as you doubtless have been told by representatives of the Commission, we have been getting closer and closer to agreement in the intervening years.

I think the nature of the problem is well and succinctly stated in the industry's report on the 1940-41 joint study at page 88, and I would like to quote a part of that statement:

"One of the basic difficulties by which issuers, underwriters, dealers and the investing public have been confronted in transacting business under the Securities Act, has arisen from the fact that the theory of the Act that information should be made freely available to investors during the pre-effective period conflicts in practice with those provisions of the Act which prohibit the making of sales or offers or solicitations to buy or the receipt of offers to buy prior to the effective date of a registration statement. At present, failure on the part of an underwriter or dealer to make a clear distinction between the giving of information and the making of an offer to sell may subject him to the severe criminal penalties of the Act for willful violations (Section 24), and to injunctions (Section 20) for violations whether willful or not. The distinction between an 'offer to sell,' 'an attempt or offer to dispose of a security' or a 'solicitation of an offer to buy' (Section 2(3)), on the one hand, and discussion during the waiting period with potential buyers, on the other hand, is a tenuous one, difficult to grasp and understand, as well for lawyers as for laymen. As a practical matter, in ordinary conversation, it is a difficult if not impossible distinction for laymen to make and for laymen to understand. A prospective purchaser having been given information by a prospective seller certainly thinks he has been asked to 'buy' and that the person who approached him 'offered to sell.' Otherwise why was he approached?

"Dealers and underwriters wonder if they can sustain the burden of proof as to the distinction between the giving of 'information' and the making of an 'offer to sell' or 'solicitations of offers to buy' or attempting or offering to dispose of a security during the waiting period. Underwriters, unless they give out no information at all, are apprehensive that they are subjecting themselves to injunctions or criminal liability under Sections 20 or 24 of the Act and to the possible revocation of their over-the-counter dealers' licenses under Section 15(b) of the Securities Exchange Act of 1934 for willful violation of the Securities Act of 1933."

It is true that since the '40-'41 study, the Commission, by rule, has made it possible to make wider use of the "red herring" prospectus during the waiting period but this rule has not provided a practicable solution for getting understandable information to individual investors or solved the problem of making a ready distinction between supplying information and making an offer.

It is our present view that this situation can best be corrected, and without compromising investor safeguards, by making the following substantive changes in the present procedures and requirements of Section 5 and related sections of the '33 Act.

(1) We would recommend no change in present requirements with respect to the making of offerings or sales prior to the filing of a registration statement under the '33 Act.

(2) We would recommend that the definition of the words "sell" or "sale" as used in the Act, which presently include an offer to sell, a solicitation of an offer to buy or, indeed, any attempt to dispose of a security, be changed so as clearly to differentiate between a sale or a contract to sell on the one hand, and an offer, solicitation of an offer to buy or attempt to dispose of a security on the other. The following recommendations contemplate such a change in the present definition of the terms "sell" or "sale."

(3) During the waiting period, i.e. after the date of filing of a registration statement but before its effective date, we would recommend that underwriters, brokers and dealers be permitted to make oral or written offers of the securities covered by the registration statement, that any writter offer, otherwise than by an "identifying statement" or a "statutory prospectus" (both of which terms will be discussed below) should contain a legend indicating that the writing does not purport to contain full information about the security and that such full information can be obtained upon request in the form of a statutory prospectus. Although we recommend that offers should be permitted during the waiting period, we would still make it unlawful for underwriters, brokers or dealers to make any sales or contracts to sell until after the effective date of the registration statement. We would, of course, recommend the retention and clarification of the present exemption covering contractual relations between the issuer and any underwriter and between underwriters.

(4) We would recommend a change in the law to provide for a processed document, to be be known as an "identifying statement," which would be available as early as possible in the waiting period, which would contain information comparable to that in the present newspaper prospectus, and which could be used by underwriters and dealers to screen their customers as to their interest in receiving a full statutory prospectus. As I understand it, we are in substantial agreement with the Commission as to the type of information which this document should contain.

(5) We would recommend also early and adequate dissemination of the present "red herring" or statutory prospectus, after processing by the Commission, to dealers so that they could be supplied to customers upon request before the effective date and that such a statutory prospectus, plus the furnishing of any omitted price and related data, would constitute a final prospectus after the effective date of a registration statement.

(6) We would recommend that after the effective date of a registration statement, it would be lawful immediately to make a binding sale to a customer, irrespective of whether he had received either an identifying statement or a statutory prospectus, so long as he was supplied with a final prospectus with the confirmation, delivery or payment, whichever first occurs.

(7) We would recommend that the law be changed to require the delivery of final prospectuses to customers by underwriters and dealers only for a period of forty (40) days after the effectiveness of a registration statement or thirty (30) days after the termination of the syndicate, whichever period is longer.

I think I should make it clear at this point that the foregoing numbered recommendations have to do primarily with the usual public offering of issues of securities as distinguished from the continuous offerings which are made of investment trust shares. The recommendations would have to be modified somewhat to meet their special problems.

I believe if the foregoing substantive changes were made in the present requirements of the law, they would go a long way toward curing the difficulties which all parties have had under the existing law, that investors would receive much more information with respect to registered securities than they are receiving today, that no effective existing investor safeguard is being sacrificed, and that the industry would be much better enabled to do the selling job indicated if we are to spread the ownership of American industry as I think it should be spread. Here again, I would hope that the Committee will find it possible to act as soon as possible in initiating legislation to resolve this problem.

Compulsory Competitive Bidding for Certain Utility Securities —Rule U-50

Another problem of the industry which grows out of the Commission's administration of the Public Utility Holding Company Act is that of compulsory competitive bidding under Rule U-50. As the Committee doubtless knows, this has been the subject of considerable controversy and discussion ever since its inception. I am sure the Committee is aware that the vast majority of the members of the IBA were opposed to the adoption of this rule by the Commission and felt that it would, in operation, be detrimental to the best interest of issuers, of security holders, of consumers and of the investing public. The Securities Acts Committee of the IBA, in the Brief which it submitted to the Commission in January of 1941, summarized its principal reasons for opposing this then proposed rule as follows:

"(1) While compulsory competitive bidding may, under certain circumstances, procure higher prices for public utility issuers, it would do so at the expense of investors, whose interests the Commission has a statutory duty to guard, the damage to investors arising, among other things, from the overpricing of issues which is a consequence of compulsory competitive bidding.

"(2) If the increased price to the issuer in periods of rising markets would be of sufficient importance to warrant making a drastic change in the organization which has been evolved for the distribution of securities then the decreased yield to investors should be correspondingly great. If it is argued that this is not necessarily so but that the difference would come from the underwriter's spread, then the underwriter making the least investigation, and contemplating the cheapest distribution methods, could afford to pay the highest price. The investor and the issuer would then suffer in several ways:

"(a) The investor would more frequently than not pay a higher price;

"(b) Skimpier and cheaper investigations by underwriters would increase the investor's danger of losing money and thereby affect the liabilities of issuers;

"(c) The purchase of securities at the highest possible price through compulsory competitive bidding would tend to bring about high-pressure salesmanship, which reputable investment bankers seek to avoid;

"(d) Issuers would be compelled to sell securities at a price higher than they might think proper, without regard to the manner in which the securities were to be distributed by the purchasing underwriters.

"(3) The underwriting of corporate securities by investment bankers is, in fact, competitive; and the competition of the market by which every issue must be judged assures fair prices to the issuer and to investors.

"(4) Compulsory competitive bidding would force the concentration of distribution into the hands of relatively few underwriters and dealers. This would be greatly to the detriment of the smaller investor who must largely rely on broad facilities of distribution to provide him with opportunities to participate in purchases of new issues of securities.

"(5) Compulsory competitive bidding is not the best available means for judging the reasonableness of prices and spreads.

"(6) The requirement of compulsory competitive bidding would not remove the Commission's difficulties in satisfying its duties under Sections 6 and 7 of the Public Utility Holding Company Act; to meet its statutory responsibilities the Commission would still find it necessary to examine the reasonableness of the price and spread after the bids had been received.

"(7) The sale of issues through compulsory competitive bidding could not be carried out consistently with the practice envisaged by the sponsors of the Securities Act of 1933 which requires that a thorough and searching investigation be made by a responsible underwriter.

"(8) There is no feasible substitute for the professional work of the investment banker in the setting up of an issue, including the development of substantive provisions of indentures and of the securities."

Although I am not an expert on the operating and administration of the Holding Company Act, I have certainly had ample opportunity to watch the operation of this rule, and it is my personal opinion that the reasons set forth above for the Securities Acts Committee's opposition to the rule have in major part been proven valid by experience under the rule in the intervening years.

I am convinced that issuers of such securities and all others concerned would be much better off if such issuers were free to choose between the two methods of financing, the Commission of course retaining jurisdiction over the reasonableness of price and spread. In this connection I would like to call to the attention of the Com-

mittee a joint study which was made by the Edison Electric Institute and the American Gas Association on Financing Utility Capital Requirements in 1949. In the case of each type of security, the Joint Committee arrived at conclusions, first, from the standpoint of the issuing company, second, from the standpoint of the investment banker, and third, from the standpoint of the investor. While concluding that on investment grade bond issues of medium size ($10,000,000-$35,000,000) "where no special factors complicate the situation and require no special sales effort, competitive bidding has been satisfactory," the Joint Committee suggests "on the basis of the record" that the SEC temporarily suspend "the applicability of Rule U-50 to sales of electric and gas utility preferred and common stocks, and adopt a new rule providing that such sales may be made by any method, stipulating that the Commission retains jurisdiction over the reasonableness of price and spread." The Joint Committee goes on to suggest that the suspension should be made permanent if the new procedure is found satisfactory after a trial period of two years, but that it could be revoked at any time if the Commission found there was a return to conditions which it determined were unsatisfactory. I would certainly concur in this recommendation.

I am not sure that this problem necessarily involves amendments to the '35 Act as it arises from an administrative decision of the Commission, but it is a problem I think this Committee should explore with the Commission, if it has not already done so.

T. C. Cox Elected by Union Trust Co.

WASHINGTON, D. C. — The board of directors of the Union Trust Company elected Thaddeus C. Cox a Vice-President to assume charge of the Operations and Personnel Divisions, according to an announcement by Linwood P. Harrell, President.

A native of Virginia, Mr. Cox has been associated with The Hanover Bank in New York, where he has served with its Personnel and Operations Divisions throughout his business career, and leaves a position as Assistant Vice-President. A recognized authority in his field, Mr. Cox is a Past President of the New York Chapter of the American Institute of Banking and has appeared as a guest speaker of the Washington Chapter. He will take up his new duties June 16th.

Two With Paul Rudolph

(Special to THE FINANCIAL CHRONICLE)

SAN JOSE, Calif. — David L. Schrader and C. A. Talbott are now affiliated with Paul C. Rudolph & Co., Bank of America Building.

With Coburn Middlebrook

(Special to THE FINANCIAL CHRONICLE)

HARTFORD, Conn. — Herbert K. P. Burns is with Coburn & Middlebrook, Inc., 100 Trumbull Street.

Joins Norman Dacey

(Special to THE FINANCIAL CHRONICLE)

STAMFORD, Conn.—William B. Hagenah is now associated with Norman F. Dacey & Associates, 322 Main Street.

Hayden, Stone Adds

(Special to THE FINANCIAL CHRONICLE)

BOSTON, Mass.—John L. Brady has been added to the staff of Hayden, Stone & Co., 10 Post Office Square.

Railroad Securities

Southern Railway

Southern Railway common has been attracting considerable buying attention in recent rail-dominated markets. It has consistently been moving into new high ground for the year. Nevertheless and despite these recent gains, many rail analysts consider that it is still well behind the general run of carrier equities of similar caliber. Even at recent highs the stock has been selling at less than five times last year's earnings and about four times possible 1952 results. Moreover, the well protected current $4.00 annual dividend rate affords a yield of approximately 6.7%.

Presumably the failure of the stock up until now fully to reflect the high earnings and the excellent long-term prospects of the properties may be attributed at least to a considerable degree to the nature of the debt structure. Southern Railway is saddled with a large proportion of non-callable debt. Thus, it has not been able, even in periods of pronounced market strength, to grasp the opportunity to refund at lower interest costs and at the same time arrange a more favorable maturity schedule. Certainly it is little short of ludicrous that a road of this character should still have to be paying interest as high as 6½% on some of its bonds.

High interest rates do not constitute the only, or even main, disadvantage of the heritage of non-callable bonds. The main disadvantage is that the road still has to face fairly heavy bond maturities over the relatively near term. The big year is 1956. As of the end of last year these 1956 maturities, exclusive of equipments, were outstanding in the amount of $78,782,000. Also, $11,489,000 of New Orleans Terminal 4s must be provided for next year. This total of slightly more than $90 million in the next four years is sizable even for this road. Nevertheless, it could hardly be calculated to precipitate a crisis in the company's affairs. Its effect is more psychological than anything else.

The maturity problem should be examined in conjunction with what has already been accomplished and with the company's resources. From the beginning of 1941 through the end of last year the company retired more than $100 million of direct non-equipment and leased line debt. Last year alone retirements amounted to nearly $20 million. At that rate the 1953-1956 maturities lose much of their sting. Moreover, the company in its 1951 annual report pointed to their holdings of $24,218,000 of U. S. Government bonds "held in reserve for the acquisition of debt or reduction of maturing obligations." As the railroads continue to prosper it is likely that even the psychological drag of the maturities will tend to diminish and that the stock will more and more some to mirror the more basic favorable aspects of the picture.

Southern literally "covers the South." As a result, on a long term basis its traffic has favorably reflected the industrial growth of this area. With the many natural advantages of the territory with respect to labor, resources, climate, etc., it is generally expected that this growth trend will continue. To take full advantage of this expanding business Southern in recent years has spent heavily on property improvement and new equipment, including a large diesel fleet. Through this program, also, the company has been able to control its transportation costs and maintain its better than average profit margin.

Last year earnings on Southern common amounted to $12.21 a share. For the first four months of the current year there was a modest increase in net with share results reaching $3.71. The steel strike is naturally adversely affecting current operations but it seems hardly likely that this will be allowed to continue very long. Thus, with higher freight rates now in effect, more favorable year-to-year comparisons are looked for in future months. On the whole it seems possible that 1952 may witness earnings as high as $15.00 a share. Dividends will probably continue conservative because of the debt situation but utilization of earnings for this purpose obviously adds steadily to the intrinsic worth of the junior equity.

McCormick & Co Admits Orndorff as Partner

CHICAGO, Ill.—McCormick & Co., 231 South La Salle Street, members of the New York and Midwest Stock Exchanges, on July 1 will admit Harvey H. Orndorff to partnership in the firm. Mr. Orndorff has been associated with McCormick & Co. for some time.

Barham-Cleveland Adds

(Special to THE FINANCIAL CHRONICLE)

CORAL GABLES, Fla.—George Harriss and Kelton R. Sweard have joined the staff of Barham and Cleveland, 2207 Ponce de Leon Boulevard.

With First Southern

(Special to THE FINANCIAL CHRONICLE)

BOYNTON BEACH, Fla.—Helen H. Jones has been added to the staff of First Southern Investors Corporation, 524 Jasmine Street.

U. S. Manganese Corp. Shares Subscribed For

The recent public offering by Hunter Securities Corp., New York City, of 500,000 shares of common stock (par 25 cents) of U. S. Manganese Corp. at 40 cents per share has been completed, all of these shares having been sold.

The net proceeds from the sale of this stock are to be used for the expansion of milling facilities, increased production and additional working and operating capital, as well as the acquisition of other mining properties or interests therein.

U. S. Manganese Corp., incorporated in Arizona on Jan. 17, 1950, is principally engaged in the business of mining and milling of manganese, tungsten, copper and other ores, as well as in the purchase and sale of same.

Midwest Exchange Member

CHICAGO, Ill. — The Midwest Stock Exchange has announced the election to membership of: Joseph F. Gatz, McDonald-Moore & Co., Detroit, Mich.

With Goodbody & Co.

(Special to THE FINANCIAL CHRONICLE)

TAMPA, Fla. — Kenneth D. Sarles has become associated with Goodbody & Co., 608 Tampa Street.

With Slayton & Co.

(Special to THE FINANCIAL CHRONICLE)

NEW ORLEANS, La.—Paul M. Smith Jr. is with Slayton & Company, Inc., 126 Carondelet Street.

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Looking Ahead With the Rails

fewer wrecks and delays arising from hot boxes; and roller bearings should permit a continuance of the steady trend over the years to larger capacity cars. This last I think is important. In using the present friction bearing, it has been proven that the likelihood of hot boxes increases with the car load. As we reach the practical limits on train length, the question of increasing car capacity as a means of stepping up train load will assume more and more importance.

Nothing of course will be accomplished without a start. Perhaps the first encouragement ought to be a *per diem* charge sufficiently high to fairly compensate owning railroads for the greater initial investment in roller bearings. With a higher *per diem* the more progressive railroads might then embark on the purchase of cars equipped with roller bearings. The rest would follow along in due course if the operating experience of the pioneers was favorable.

There is one disadvantage to the use of roller bearings which I have not touched upon because it is related to the second possible source of large savings over the next 10 to 15 years.

If you ask railroad men to visualize the railway plant they would build starting from scratch and compare that with what they have, you would find many differences. Probably the principal difference would be many fewer yards and terminals to slow down train service.

From this the second possible source of large savings is obvious. If railroads would not build existing yards and terminals, why continue in operation the ones that would not be built?

Savings resulting from abandonment of unneeded yards and terminals could be put to good use in the construction of ultra-modern push-button yards and terminals to further reduce labor costs and speed up train movements. Totalled up the possible savings are substantial—probably hundreds of millions of dollars a year.

Before embarking upon major programs to rearrange and modernize the yard and terminal set-up, the railroad industry should decide whether it is eventually going to roller bearings in freight service. For here is the major disadvantage to the use of roller bearing equipped cars today. They roll faster and farther than plain bearing cars for which existing yards are engineered.

A few ultra-modern push-button yards have already been built. Let us hope that the railroad industry will heed Mr. Gurley's plea before yard reconstruction has gone so far that there is created a great obstacle to the use of roller bearings without regard to their merits.

The third possible source of substantial savings is more effective freight car utilization. Maybe the thought has occurred to you, too.

Whenever I look at statistics on car miles per serviceable car day, I wonder at the smallness of the figures. Is it not amazing that the typical freight car moves an average of only 45 to 50 miles per day. That is an average speed of two miles per hour. And yet, it is common to see freight trains moving along at 25 to 50 miles an hour or more.

Using the lesser speed of 25 miles per hour, the average freight car spends two hours a day moving and the rest of the day—22 hours — standing still or being switched.

In a paper presented at Harvard Business School recently, Mr. L. K. Silicox, Executive Vice-President of the New York Air Brake Co., analyzed the average travels of a typical freight car during 1948 and found that only 12% of its time or three hours a day was spent in normal road movement. 37% of the time or nine hours a day was spent in yard movements, interchange between railroads and switching movements to loading and unloading tracks. 30% of the time or seven hours a day was spent in loading and unloading by the shipper. The balance of the time was consumed by such things as repairs and Saturday and Sunday shutdowns of industry.

These figures are highly significant. The reduction in numbers of yards and terminals and modernization of remaining yards, previously suggested, would serve to reduce considerbly the nine hours a day now spent by the typical freight car in yard, interchange and switching movements.

The seven hours a day spent in loading and unloading by shippers is a time factor which can be reduced only with the cooperation of shippers generally. I imagine railroad traffic officers have a real educational job on their hands with this one.

In these two areas accounting for 16 hours a day—or two-thirds of the time of a typical freight car—it should be possible to effect a substantial reduction. This in turn will reduce proportionately the required size of the freight car fleet, assuming of course the same volume of business. With a 10% reduction in the freight car fleet, savings of many millions of dollars yearly would be effected.

These I think will be the areas of major savings in the years to come. While no one should look lightly on the railroad labor problem at anytime, it is encouraging to know that substantial economies can still be realized after a railroad is 100% dieselized. Of course, the economies cannot be realized just by asking—the first step is to spend large sums of money for capital improvements.

The problem of paying for the capital improvements cannot be treated lightly either. There is no need to talk to you about the difficulties railroads face in raising new capital other than through equipment trust certificates. Nor do I need to go into the question of an adequate return on invested capital. These two conditions reflect all too clearly the lack of financial health in the railroad industry.

Of major importance in this connection is the growing hope than 1953 will see the passage of some major changes in Federal laws regulating all forms of transportation. In the past few years there has been a great deal of thought given to this problem and there are many ideas as to changes that should be made to improve the general financial health of not only the railroads but the whole transportation industry.

There is no doubt in the minds of most reasonable people that railroads suffer greatly from a patchwork quilt of laws originally enacted because railroads enjoyed a monopoly. In 1887 when the Interstate Commerce Act was first passed, this was no doubt true. Nothing could be further from the truth today.

Most people will agree that present laws are antiquated but they have had great difficulty in agreeing on what changes should be made. The railroads have had their ideas, the truckers theirs and the waterways some completely

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Looking Ahead With the Rails

different ideas as to what should be done.

The one major form of transportation which appears to be fighting a battle for its life is the railroads. The postwar period is one in which railroads have struggled constantly to get revenues up fast enough to pay the bill for increased costs. It is self-evident that the railroad industry has not shared in the general postwar prosperity.

It is this predicament of the railroads which other forms of transportation have finally begun to appreciate. That they have is very important.

They have begun to see and understand the railroad problem, to desire to help in solving that problem because they can see the fearful spectre of a government-owned railroad system followed by the government taking over all other forms of transportation.

Many shippers have come around to the same belief and have begun to share the concern of transportation people regarding the dangers of government ownership—because they also see an ugly spectre — government ownership of transportation leading the way for government ownership of other basic industries. It's something that most businessmen, whether they be transportation executives or manufacturing executives using transportation on a large scale, are anxious to avoid. It is probably an understatement—in fact it hardly needs to be added that investors are also most anxious to avoid government ownership.

A prime mover over the last several years in developing an understanding of the dangers inherent in our present transportation picture has been the Transportation Association of America. Known as the T. A. A., this organization is dedicated to the preservation of private ownership of all transportation. About five years ago after long discussions with the Congressional committees responsible for transportation legislation, the T. A. A. agreed to set up a project for the purpose of studying all Federal transportation laws and making recommendations to Congress for their overhauling. The project which was then created by the T. A. A. and is still functioning today is known as the Cooperative Project. That the selling up of this Cooperative Project made an impression upon the Congress is apparent from the comments of a committee to the full House of Representatives regarding the project and I quote: "Probably never before has a national economic problem been approached for a solution on such an elaborate basis as this cooperative endeavor."

The project has been made up of a number of so-called panels or committees, one panel representing shippers, another panel representing investors, a panel representing each and every form of transportation, and a legal advisory group. There are more than 250 experts included in the panel membership. The Investor Panel for example, includes more than 50 bank, insurance and investment executives representing institutions responsible for the savings and life insurance policies of millions of Americans.

The over-all purpose of the project has not been to freeze the transportation system as it exists today but rather to free the industry from its chains—to create an atmosphere in which all forms of transportation may compete for available business aggressively but fairly and with special favors to none. With that over-all objective, the panels have studied existing Federal laws and attempted to arrive at common conclusions and recommendations. This has not been possible with respect to all issues but the Cooperative Project has been able to find after long discussion and on certain points — much argument—a common meeting-ground favored by a majority of the panels. In a project of this kind representing every conceivable interest in transportation, it is indeed gratifying to find that a large number of men—some of them bitter competitors—can sit down in the same room and come to an agreement. This has been no small achievement.

The first part of the project's report has been completed. The second part should be finished before many weeks go by and the whole report should become the subject of Congressional hearings early in 1953. Representing as it does the views of about 250 experts in their fields on the various issues involved, it seems to me that Congress will give this report and the testimony by many of these experts an unusual amount of attention. With a report of this sort and literally a parade of witnesses saying for the most part that this is what we need—it is simply inconceivable that this will not make a real impression upon the Congress of the United States.

You are no doubt wondering just what problems will be solved for investors. I think the rate problem—that is, the lag of rates behind increased costs — is the number one problem. Given a satisfactory solution fewer investors would tend to look upon railroad securities with jaundiced eyes.

The recommendation of the Transportation Association's cooperative project with respect to the rate problem provides an almost ideal solution for use in general rate cases. Expressed in simple terms, this proposal would permit transportation companies to increase rates 30 days after filing certificates with the ICC setting forth increases in operating expenses. Such certificates would be checked by the Commission during the 30-day period and the Commission would have the power to modify a proposed general rate increase but only on the grounds that figures as to increased costs or revenues were incorrect.

Ideally, all investors would like to see transportation companies put in the position of most industrial companies with respect to making changes in their selling prices. A 30-day lag is not the ideal answer but it certainly is much better than what we have had and if placed in effect will go a long way toward restoring some degree of confidence in railroad securities. In this present Congress a bill has already been introduced to give effect to a somewhat similar proposal.

Politically, the rate problem is a difficult one. There are still many shippers, even some represented in the shipper Panel of the T. A. A., who still would like to have their cake and eat it too. These people are quick to deplore the railroad problem, low railroad earnings, and the danger to the whole capitalistic system of a government take-over of transportation. Despite their pious statements they still seem to want to delay as long as possible any increase in freight rates on the particular commodities in which they are interested. I hope this kind of a shipper will be in the minority when the time comes for Congress to examine the rate proposal.

A second major problem from an investor's point of view is abandonment of unprofitable lines and service. Main line freight operations on most railroads are very efficient and profitable. Main line passenger trains for the most part make money at least on an out-of-pocket cost basis. It is the continued operation of unprofitable lines and services which imposes a serious loss on the profitable part of a railroad's business—a loss which inevitably must be made up by shippers and passengers using the profitable main line services. To allow the continuance of this heavy burden upon the profitable operations will, in time, endanger the solvency to the whole railroad industry.

Most difficult to abandon is probably intrastate passenger service. State commissions have, for the most part, been very short-sighted in their insistence upon continuing so much unprofitable passenger service. The loss incurred by one unprofitable train probably looks quite small to many state commissions in relation to the multi-million dollar figures appearing on railroad balance sheets and income statements, but when the losses from the operation of many such trains are added together, they loom quite large in the over-all picture.

To hope that the attitude of state regulatory commissions will change is indulging in wishful thinking. As you know, many reasonable and intelligent citizens tend to become quite emotional and even irrational when talking about their particular railroad service. As a result, discontinuance of train service, particularly passenger, is usually intermingled with politics. We've had a comparable problem in changes in rates on intrastate traffic. It is not unusual for a state commission to deny rate increases on this type of traffic to match increases previously approved by the Interstate Commerce Commission for interstate traffic. In that event, the railroads simply appeal to the ICC which has the authority to order the increases placed in effect on the theory that to not do so, would place an undue burden upon interstate traffic.

The Cooperative Project is proposing an identical appeal right with respect to intrastate railroad service. If enacted into law, railroads could then appeal adverse state decisions on abandonment of intrastate train service to the ICC where the question of abandonment ought to be effectively divorced from local prejudices and pressures.

Abandonment of railroad lines must now be approved by the ICC. Before the necessary permission can be given, the Commission must find that present or future public convenience and necessity will permit of abandonment. This sort of a provision was all right in the days when railroads were steadily expanding and the demand for their services was continually growing. For a number of years now the railroad plant in terms of miles operated has been shrinking. This trend must continue as a matter of economic necessity and not as a matter of public convenience. The Cooperative Project's recommendation is a rather simple one. In any case where a carrier can make a showing of financial loss from continued operation of a line of railroad, the Commission must enter an order permitting the abandonment of that line.

These two changes dealing with railroad abandonments will, if enacted into law give the railroad industry a high degree of managerial control over the extent of their train service and enable them to lop off the unprofitable service much more rapidly than they are able to do now. With a clearcut and simple way of getting rid of unprofitable services, railroad earnings ought to be greatly benefited and that I think, is of considerable importance to investors.

A third major problem from the investors point of view is the great amount of government monies being poured into various forms of transportation that compete with railroads. It is certainly true that every new form of transportation in its infancy has been aided one way or another by government funds. This was true of the canal companies many years ago, the railroads in their early days and is true of the airlines today. Certainly any new form of transportation would have difficulty in getting started without some assistance from the government.

The question of public aid to the various forms of transportation is highly political and one in which investors really have a two-fold interest. They are naturally interested to the extent that they hold railroad investments. They are also interested in that all government aid comes out of taxpayers' money and it is probably a fair statement that investors generally are a substantial source of taxes for the Federal Government. Thus, if public aid to transportation could be reduced, investors would benefit not only as taxpayers but also as holders of railroad investments.

The old story about government land grants to some of the railroads is no excuse for present day public aid to transportation other than railroads. The railroad industry has paid dearly for the government land grants in the form of reduced rates on government shipments. In addition, the government benefited materially by way of increased land values at the time the railroads were built because land grants were given on the basis of checkerboard sections with government retaining title to one-half the land. Actually the whole land grant arrangement should be looked upon as having been in the nature of a partnership—each of the partners—the railroads and the government—entering into the arrangement for their mutual benefit.

The principal problem involved in public aid today lies in the amount of such aid given to the trucking industry and to the waterways. The airlines admittedly receive public aid and will continue to do so for a few years. The truckers have indicated a willingness to pay their fairly allocable share of highway costs. The real problem here is to determine just what is the fairly allocable share. Some attempts are being made to work this out. It is possible there is little or no element of subsidy by taxpayers but rather that owners of light vehicles are subsidizing heavy trucks. From a railroad point of view, it matters little who does the subsidizing—if heavy trucks are subsidized, it represents unfair competition. The Investor Panel of the T. A. A. went into this question at some length and finally concluded that it was impractical to set up any restrictions on public aid to the trucking industry at the Federal level. Whether the heavy trucks are paying their way is a problem that must be worked out by the individual states. The states have not been idle. Load limits are more adequately enforced now than a few years ago and taxes upon the industry for road building and maintenance are being increased.

The situation with respect to waterways is quite different. Most waterway operators talk a great deal about the cheap transportation which they can furnish to shippers. Their tariffs include no charge to cover the large investment of the government in capital and operating expenditures. This is no new problem. It has been with us for many years.

The 1949 Brookings Institution report on National Transportation Policy stated that average annual waterway costs of the government on 326 projects ranged from 1/5th of a cent to $1.90 per ton mile. Think of it—up to $1.90 per ton mile of freight carried—and this represents only the cost of providing the waterway. As you know, railroads provide their own plant and carry your freight too for an average of about 1½c per ton mile. If proper user charges to recover the government's investment were imposed, it is easy to see that many of these waterways would quickly be abandoned.

That of course is the solution but it is not as easy as that. The Cooperative Project of the T. A. A. had a difficult time with this one — naturally the Waterway Panel was unhappy with the ideas of the other Panels. In fact, they are opposed to the recommendation agreed to by the other Panels.

These recommendations if enacted into law will require the imposition of user charges on all future projects sufficient to cover all costs. Because capital costs of existing waterways are spent money and cannot be recovered, user charges on existing waterways would be imposed only to cover operating and maintenance expenses.

The adoption and carrying out of such a policy will bring about the abandonment of the most uneconomic waterways and in the future ought to insure the construction of additional projects only when economically justified. Such a policy will be decidedly beneficial for all taxpayers and investors.

In addition to these matters of major interest, the report of the Cooperative Project contains recommendations on other problems of varying importance to investors.

Now what are the chances of success in this effort to overhaul our antiquated laws?

Of course it is always difficult to predict what any legislative body may do and I do not want to predict the successful passage of all the recommendations of the T. A. A. We have already had extensive hearings before the Senate Interstate Commerce Committee pursuant to Senate Resolution No. 50 and a number of bills have been introduced as a result of those hearings. Being an election year, these bills will probably die with adjournment.

In 1953, the chances for passage of some major legislation are very good. I honestly feel we will have a high degree of success with the changes most important to investors and this cannot help but be beneficial to the whole transportation industry and particularly the railroads in the years to follow.

With new legislation on the statute books creating an atmosphere where all forms of transportation can compete fairly and aggressively with special favors to none, I believe the prosperity of many railroads will astound all of you. With ample earning capacity, plenty of money will be available to not only effect the necessary capital improvements but to also pay out increasing dividends to stockholders. Under these conditions, the next decade will see a steady strengthening of the whole railroad industry and as a result, investors will capitalize railroad earnings far more generously. In short, I am optimistic over the next 8 to 10 years.

With Merrill Lynch Co.

(Special to The Financial Chronicle)

SHREVEPORT, La. — Mrs. Ella B. P. Price is now affiliated with Merrill Lynch, Pierce, Fenner & Beane, 608 Edwards Street.

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Good Economic Health Will Pervade the "Fifties"

ing the 1946-52 period will approximate $35 billion, one of the largest totals for any corresponding period in history. Only a portion of these record expenditures will be for displacement purposes. The larger part represents new capacity.

There will be an adequate labor supply, especially with the gain in mechanization. There has been wide introduction of automatic looms in the textile industries. The labor problem will also have little effect on the paper and paper products as well as the boot and shoe industries.

The major problem confronting the non-durable goods industries will be not one of supply but rather demand—demand to absorb the increased supplies. In connection with textiles, due consideration must be given to the tremendous expansion in the output of man-made fibers. Supply problems encountered by the natural fibers are quite different from those of the man-made fibers. For the latter, present expansion plans are fairly well defined and it is possible to say with some degree of certainty what amounts will be available by 1953 and possibly 1954 and even beyond then.

In the case of the natural fibers, a somewhat different viewpoint is necessary. No shortage of cotton is within sight in the next several years. Supplies of wool, while not expanding, will nevertheless be maintained at present levels in relation to population. Silk output may not reach prewar levels until the end of the " '50s," if then.

In connection with man-made fibers, total output in 1950 was estimated at 1.3 billion pounds. Even with the recent decline, the output will still be about the same. In addition we will probably produce close to an annual rate of 400 million pounds of the new man-made fibers within the next several years.

The data on shoe production aer also fairly significant. The average annual total for the five-year period, 1936-40 was close to 310 million pairs. Even with the sharp decline in the latter part of 1951, total output was still 460 million pairs. We may produce 470 million pairs of shoes this year.

Last year alone paper and paperboard production approximated 26 million tons, a considerable increase from the rate of the past several years. Based on new additional capacity, we could easily add another 5-7½ million tons before the end of the decade.

Both external and internal factors are favorable to the sustainment of a higher level of demand for consumers' non-durable goods. New highs in activity are indicated. I wouldn't be surprised if the textile cycle from now on were shorter and steeper since the expanding supply of raw materials and increased capacity could result in over-production.

I also wouldn't be surprised if similar tendencies should occur in the boots and shoes as well as in the pulp and paper industries. The following factors should stimulate demand for non-durable goods.

Disposable income will be higher. The accumulated public's savings are at a record rate and probably as high as at any time in recent history. Individuals' cash position on hand in the form of savings, loan shares, demand deposits and time deposits and currency was $146.8 billion at the end of April as compared with $116.8 billion in 1945. In addition, there were $34.9 billion in E bonds outstanding at the end of April of this year as compared with $30.7 billion in 1945.

Short-term debts at the end of April totaled only $19.6 billion, at least $5 billion below what they should be on the basis of income.

Population growth will continue, with the possibility that the total may approximate 170 to 175 million by 1960 as compared with 156 million estimated for 1952.

The distribution of income has also been very great. The number of families with an annual income of $3,000 to $5,000 has increased considerably. In 1950 it aproximated 34% of the total as compared with only 14% before World War II. It is probably close to 36% at the present. The change in the public's buying habits as the economic position improves is well-known.

With the consumers' general economic position favorable, the question, as to what the non-durable goods industries will do to get their due share of the consumers' dollar, gains in importance. I have indicated at the beginning that spending on non-durables in relation to total consumer expenditures has been below the pre-World War II period. This was true even in 1951.

Factors Aiding Non-Durable Goods

Some of the factors that will aid the non-durable goods industries recapture their prewar economic position are the following:

The textile apparel as well as the boot and shoe industries will revert to their traditional policies of rapid style changes and thus make the existing items in the public's wardrobe obsolete. Note, for example, the marked improvement recorded in women's dresses during the last six to nine months. Styling of fabrics and garments have been changed sufficiently to encourage women to buy. Social changes have also emphasized the trend toward femininity.

Note also the increasing per capita consumption of men's Summer clothing. It is only in recent years that men have discovered and accepted the lightweight garments which became available mainly because of the new fibers. Note also the steadily increasing demand for women's nylon hosiery as well as nylon knit wear. The appeal of the magic acrylic fibers is even greater.

Wide-scale vacations, increased outdoor activity and the general trend toward casual living in the past decade have effected a growing acceptance of separates and casual clothes. Per capita purchases of these casuals have been of record proportions. These have been relected in a substantial expansion in output of men's sport shirts, women's suits, blouses and scarves, boys' Western suits and men's and women's play shoes. In this connection it may be pointed out that the civilian per capita consumption of the major textile fibers was 34 lbs. in 1951 as compared with 40 lbs. in 1950, 30 lbs. in 1940, 20 lbs. in 1930 and 46 lbs. in 1936-40.

Per capita consumption of shoes at 3.13 in 1951 compared with 3.16 in 1950 and 3.15 in 1940 and only 2.73 in 1930. Demand for women's shoes in 1951 was near the all-time high, while demand for men's shoes was lower than the average for the 1935-42 period. There has been a lag in sales of boys' and youths' shoes while purchases of infants' shoes have tended lower as compared with recent years. The opportunity for expansion is present.

The per capita consumption of paper in the United States has gained markedly from 220.2 lbs. (1929) to 396.6 in 1951, as compared with only 243.8 lbs in 1939.

The purchasing power of the apparel dollar will continue high. The decline in prices of textiles and apparel during 1951 was one of the greatest in recent history. As one who has had to live through this period I can say that it has been pretty rugged. In contrast to the situation in food and consumers' durable goods, the public is getting much greater value in non-durable products. I doubt whether the inflationary forces during the remainder of the decade will be sufficient to bring prices very much higher. The factors I have indicated previously such as marked expansion in raw materials and expanding capacity, will be restraining factors. The purchasing power of the paper and pulp products dollar is not as high as textiles or leather and shoes but it should improve.

With the liquidation in consumers' non-durable goods resulting from the post-Korean upturn nearly completed, the public should respond favorable to the stimulus of better styling and stable low prices.

With basic demand factors favorable, the question arises regarding the pattern of distribution of consumers' non-durable goods. Your very able program chairman has asked me to make some comments on the prospects for retail trade, broken down by the major sub-divisions. I might say that the task of indicating the probable trend of sales in the major distribution outlets is easier than that of forecasting supply and demand factors for cotton, wool, synthetics, silk, leather shoes, pulp or paper products.

In attempting to analyze the prospective distribution trends during the remainder of the " '50s," it is necessary to review what has happened in recent years, especially since 1929. As economic adviser to leading distributors, I have been very much interested in the changing character of the various outlets and the basic factors responsible for these changes.

As I indicated at the beginning of this discussion, the percentage of non-durable goods sales in relation to the total, particularly in the past three years, has been not only below the figure recorded in the decade immediately preceding the outbreak of the war but also fractionally below that of 1929. Considering the increased expenditures on food, the decline in the ratio of spending on non-durable goods to total is significant. Department stores have witnessed the greatest decline in this ratio. Despite the relatively liberal expenditures on women's apparel, the ratio of apparel sales to total has declined also.

Spending for consumers' durable, goods including automobiles, appliances and other gadgets for the home will probably continue at a high level during the current decade relative to expenditures on non-durables. The spread, however, will not be as marked as in recent years.

The important question now is which type of outlet will best reflect the higher income and consumer spending rates. Time doesn't permit for a long explanation of the basis for each of my conclusions. However, I do believe that chain stores and mail order organizations will continue to show the greatest expansion and get an increasing proportion of the non-durable goods dollar. However the independent stores as well as the larger well managed department stores will show a halt in the declining share in the total volume. I expect that competition for the consumers' dollar will be even greater than in recent years.

Distribution Trends

The following are just a few of the factors that will have important influences on trends of distribution.

Decentralization of population will gain. The growth in suburban developments will continue. The expansion in the number of throughways and improved roads will encourage shopping in more remote areas.

Small specialty store expansion on the part of large department stores will gain. For example, the trend will be to take advantage of the large growth in infant population by opening new infants' and children's wear stores.

The generally higher level of income and its distribution among a greater number of families will increase demand for better type apparel and will undoubtedly encourage greater expansion in the number of women's apparel specialty stores.

Men's apparel specialty stores will also increase in importance in view of the greater emphasis on style and better promotions.

Supermarkets will become an increasingly important factor in the distribution of soft goods. They will increase markedly the competition to variety stores and to some extent, basement departments. Fashion departments will not be affected to any important degree.

Competition between the various types of distributors will be even more intense than during the past 10 years as will be the competition between branded and unbranded lines. A complete reexamination of the branded line position in large stores is in prospect. Department stores will increase their efforts to hold and improve their positions in the soft goods lines such as apparel, boots and shoes, etc. in view of the greater difficulty in the merchandising of hard lines due primarily to smaller markups.

I might point out here the excellent progress made by some of the leading chain stores as well as the leading mail order organizations.

It is my opinion that all forms of non-durable distributors will reflect the higher income and expenditures, although not uniformly. Some important changes will occur in the general pattern of distribution which will have an important impact on existing units. The revolution in the distribution industries may be even greater than that which took place in production during the last quarter of a century.

Unfortunately, we know less about distribution than we do about production. We have spent a lifetime in trying to improve our techniques of mass production. We have done an excellent job. Now, having perfected our machinery, the important problem is to distribute the finished products at the lowest possible costs. This will emphasize the importance of the marketing profession in coming years, and will also offer your initiative a major challenge.

Conclusions

The economic health of the nation during the remainder of the " '50s" will be good. This will result not from our ability to solve the problem of economic fluctuations, or because we have learned how to maintain perpetual prosperity but because of continued strained world political conditions.

As long as Communism is still on the march, defense spending will be large and will help sustain business activity on a high level.

The consumers' non-durable goods industries will have a minimum of supply problems. There will be ample raw materials, more than ample productive capacity, a more than adequate supply of labor and the purchasing power of most consumers' non-durables will be favorable.

The public's needs will be very high. The public will be encouraged to spend more liberally and stimulated by rapid style changes and low prices. It will be aided by the changing character of working hours, increased stress on travel and vacations, the impact of television and a generally higher standard of living, despite high living costs and taxes.

The opportunities for the consumers' non-durable goods industries during the remainder of the " '50s" are as great or even greater than in other periods. The last ten years have been years when profit-making was not too difficult. This is usual during a war and immediately afterwards. During the next ten years volume prospects will be favorable but whether these will be reflected equally in profits will depend on the individual store's initiative in purchasing, styling, selling and promotions. The opportunities will be there and the management that takes advantage of them will be in an enviable position.

Standing Committees Of Midwest Exchange

CHICAGO, Ill.—The Board of Governors of the Midwest Stock Exchange, at its first meeting since the annual election, approved the standing committees appointed by Homer P. Hargrave Merrill Lynch, Pierce, Fenner & Beane, Chairman, to serve for the ensuing year:

Executive — George F. Noyes, The Illinois Company, Chairman Lyman Barr, Paul H. Davis & Co., Vice-Chairman; Lloyd O. Birchard, Prescott, Shepard & Co.. Cleveland; Bert H. Horning, Stifel, Nicolaus & Co., Inc., St. Louis; August I. Jablonski; E. Cummings Parker, Ames, Emerich & Co., Inc.; Harry W. Puccetti, Hornblower & Weeks; Alternates: Lawrence B. Woodard, Woodard-Elwood Co., Minneapolis; Walter E. Kistner, A. C. Allyn & Co.

Admissions — Julien H. Collins, Julien Collins & Co., Chairman; John J. Griffin, Vice-Chairman; Leslie J. Fahey, Fahey, Clark & Co., Cleveland; James M. Pigott Central Republic Company; Fran' E. Rogers; Alternates: Ira E. Wight, Jr., Newhard, Cook & Co St. Louis; Richard W. Phillips

Finance—E. Cummings, Parke Chairman; Walter E. Kistne Vice-Chairman; Lyman Bar Charles L. Grandin, Jr., Pipe Jaffray & Hopwood, Minneapoli Harry W. Puccetti; Alternate August I. Jablonski; Lloyd O Birchard.

Floor Procedure—August I. Jablonski, Chairman; Robert M. Rice R. M. Rice & Co., Vice-Chairman A. V. L. Brokaw, Friedman, Brokaw & Co., St. Louis; Daniel M. Hawkins, Hawkins & Co., Cleveland; James M. Pigott; Frank E. Rogers; David G. Skall, A. G. Becker & Co.; Alternates: Bert A. Turner, Kalman & Company, Inc., St. Paul; John J. Griffin.

New Business and Public Relations—Walter E. Kistner, Chairman; Lawrence B. Woodard, Vice Chairman; Harry A. Baum Wayne Hummer & Co.; John W Billings; Ira E. Wight, Jr.; Alternates: William H. Morse; Bert A Turner.

Newburger, Loeb Adds

Newburger, Loeb & Co., members of the New York Stock Exchange and other Exchanges, announce that Michael Kamen ha joined the firm as registered representative at the main office a 15 Broad Street, New York City.

With Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

DOVER, Ohio—Charles T. Parkett is with Waddell & Reed, Inc.

Continued from first page

The United Nations— Why It Is Doomed to Fail

To grasp at world federation as a means to peace, or as a war preventive, was a singular misconception. The very feature that was hailed as its crowning virtue—its internationalism—is, in reality, its outstanding weakness.

This article tries to point out why this is so, and why "internationalism" warps everything that UN undertakes. Its being neither "fish, flesh nor fowl" operates against it in at least three different ways: (1) No medium of so conglomerate a membership can possibly be a successful peacemaker in those very parts of the world where the most distressing wars arise. (2) Its very size and slow-working machinery make UN incapable of conducting successful operations in either peace or war. (3) Its indefinite character, representing nothing in particular, and everything in general, kills any hope of its ever enlisting, in even the very smallest degree, the loyalty and enthusiasm of the people who compose the nations enrolled under its banner. Disraeli's remark that "England does not love a coalition" applies with added force to such an *omnium gatherum* of peoples and nations. UN does not meet the best wishes or aspirations of anyone.

Europe and Asia—Two Fields of Operation Where UN Would Encounter Problems It Could Not Solve

In two most important parts of the world the United Nations would encounter problems of peace or war far beyond its power to resolve — Europe and Asia. These are the sore spots of the world, where the greatest wars have occurred. What strength, or what weight of influence can the United Nations muster against war in these two continents?

UN's Mixed and Nondescript Composition Makes It Useless for Action Either in Peace or War

In an arena so over-charged with duplicity, avarice and fraud, such as Europe, and on a stage where ancient prejudices and inherited bitternesses are so deep-rooted and ingrained, it is the veriest folly to put forward as a mediator, or adjuster, such a many-headed, slow-moving, hybrid and uncertain body as the UN. How long it deliberates before it can come to decision! Even under war urgency in Korea, how snail-like are its actions! When it finally casts its vote, how slight a moral force springs therefrom. UN's diverse membership is the seat of this difficulty.

The United Nations: An International Conglomeration

Of the 60 members in the United Nations, the continents are represented thus:

Europe	16
Asia	15
Africa	4
North America	3
South America	10
Central America and West Indies	9
Add also, as more or less separate and apart, Australia, New Zealand, Indonesia	3
	60

No elaborate analysis of this conglomerate group of nations is here attempted, but we must not be blind to some outstanding facts:

(1) The North American group (U. S., Canada, Mexico) must evidently be relied upon to furnish most of the money to pay the many heavy bills for current expenses.

(2) Europe has only a little more than one-fourth of the entire membership (16 out of 60), but this group comprises her leading powers — United Kingdom, France, Belgium, the Netherlands, Denmark, Norway and Sweden. These are the central spots in the Old World where there exists such great influences as the Christian Religion, liberty secured by some form of representative government, and that great feature (so hard to define but so highly prized) known as "free institutions," embracing as it does, freedom of worship, a free press, free thought in education and literature, and freedom of business enterprise. These are things which we Americans value above life itself, as do millions across the Atlantic, in Europe. This European group is a case where "quality" immensely outweighs "quantity."

The Great Disparity in Its Members, a Heavy Liability for UN

The very wide differences in race, character, religion, resources and business development constitute a burden that weighs heavily upon UN for usefulness as a war preventive, and indeed for almost everything. This is not hard to understand.

If two European nations are in dispute, what more unpromising instrumentality for making peace between them can be imagined than what is tantamount to a jury of Asiatics? There are 15 such countries in UN, as we have seen. In a European quarrel, that fact would be an irritant to Europeans, and their presence at a conference-table, or in a peace committee would be scorned by Europeans as something alien and unworthy. For centuries the statesmen of Europe have looked on with half-goodnatured pity, if not with contempt, upon the people and countries of Asia; a part of God's world to be dominated by "the great powers," a place where "spheres of influence" were natural and necessary. "*Asia for the Asiatics*"—when was this cry much heeded by the statesmen of Downing Street, or of the Quai Dorsay, the Palais Royal or the Wilhelm Strasse?

Another Heavy Disadvantage — Ignorance—Lack of Sympathy

These very Asiatics would, on their part, labor under the serious handicap of their being ignorant of European habits and outlook, as well as having an almost total lack of sympathy with, or any real understanding of the deep national currents of patriotic thought and feeling held by people for their own land. These must be understood and appreciated, if one hopes to accomplish results to be embodied in treaties between nations. If these considerations are ignored, diplomatic work will be fruitless; agreements will soon fail.

In Asiatic Eyes, Europeans Are Anathema

The converse of what has been said is equally true. When the "shoe is on the other foot," and when there is need for mediation between two of the people of Asia, no worse arbitrator could well be found than some country of Europe. The reason for this is not far to seek. For at least two centuries, a European has appeared to an Asiatic as nothing else than a foreign conqueror, intruding himself upon their continent, too strong in battle to be overcome—something detestable, that had to be endured; hated and resented even in spite of the undeniable material advantages which may have accompanied him.

China cannot forget the Opium War; India will remember the Sepoy Rebellion and the days of Lord Lytton and how Queen Victoria was declared Empress of India; Siam and Annam can't forget France and the conquests of 1867, and the presence of French warships in their rivers in 1893. Burma will look back to her "reannexation" by Lord Dufferin in 1885. Afghanistan can't forget Lord Lytton and the war of 1878. Persia need look back no further than 1910 and 1911, when Russia and England (then under a "liberal" ministry) over Persia's protest, divided the country into "spheres of influence." These are but a few instances out of many, when Europe has swung the "mailed fist" in the face of Asia's ardent and patriotic (though not always prudent) desires. Asia remembers all this; she wants "none of it." If there is one thing she has made plain today, it is that she intends to be "the architect of her own fortunes." No European need apply.

The United Nations: A Hopelessly "Unbalanced" World Balance-Wheel

The simple truth is that neither are Europeans good peace-makers for Asiatics, nor Asiatics for Europeans. UN with her mixed and hybrid membership, and her diversity of interests, is hopeless as a world stabilizer, or balance-wheel. She is "neither hot nor cold."

One example of this will suffice: Early in 1951, one of UN's important committees, after much delay, and much pressure from America, passed a vote of condemnation upon "Red China" for her part in the Korean War. The moral value of this was very nearly nothing. Though the majority of members did indeed vote to condemn, yet the debate really turned on Asia itself. The important Asian powers—Indonesia, Burma, India, Pakistan — either voted in the negative, or refrained from voting at all. Of course, the Soviet Union (as an Asian power) was also opposed, and likewise the government of China that is located on the continent (as distinguished from the government on Formosa). The result was a strange show-down on the value of a war which we Americans are supposed to be fighting for the benefit of the people of Asia. The Asiatics said plainly that they were not interested.

The Very Size of UN Is a Liability

The great size of the United Nations — 60 in all — makes her necessarily a slow, ponderous, and almost non-understandable organization. Peace settlements are best brought to accomplishment by bringing together the opposing parties, and having them "iron out" the points at issue, excluding others who have only a vague and indirect interest. At Paris, in 1918 and 1919, there was witnessed a "large-scale" peace consultation. The many parties seeking to be heard, the vast number of speeches delivered, and the "pulling of innumerable wires," converted that gathering of diplomats (the first in which America essayed to play a prominent role in European affairs) into a costly disappointment.

Neither for peace nor for war is the United Nations of any value. Its conduct during this wretched Korean war leaves no doubt about this. At this writing there is most serious confusion of thought between leading members with respect to any recognition of the Chinese Communist government. England, the Netherlands, Denmark, Norway, Sweden (perhaps others) have recognized this government or established some kind of diplomatic relations with it; but the Government at Washington has thus far absolutely refused. This confusion is very embarrassing.

How Can the United States Become a Really Useful World Influence?

Reflections upon so disappointing a record lead to the searching question whether there may not be some other way by which our big country can become a really useful influence for helping to bring world peace while still being true to the American people themselves.

How can the United States be of most use to the world? How has she been most useful in the past?

As an Independent Power, Guided by Her Own Ideals, the U. S. Has Been Far More Useful Than When in Any Old World Harness

In these present hectic and exciting days, the public mind is under an obsession to do two things: (1) To benefit humanity; (2) to do this in conjuction with a multitude of others "in a brotherly way," even though America must pay the bills. Both these are urged as religious and moral obligations, to be obeyed at all costs, even to the discarding of our own fundamental principles and standards of life.

History exposes these fallacies. Our best work has been done by turning our backs upon old world conceptions, ideals and methods. We have severely separated church and state—something unknown to Europe. Until very recently, we have shunned the practice of depreciating the currency; we have paid our debts in strict fulfillment of the obligation incurred; thereby making the American dollar a symbol of solvency everywhere. We have stood for "free enterprise," holding our government back from the role of a businessman (for which it is totally unsuited). Until some thirty years back, we kept taxation light, and our people free from militarism, its trappings and burdens. We have kept open the avenues to individual opportunity, believing with Lord Chatham that "unlimited power is apt to corrupt the minds of those who possess it," or, as put by Woodrow Wilson, "the history of liberty is the history of limitation of government power, not the increase of it."

Benefits of Previous U. S. Policy

Words are unavailing to express what these things have meant to the world. They have gone far beyond any Marshall Plan, or any number of paper resolutions. For more than a century America has been a star of hope to a sullen and despairing world, a synonym of everything free, fine, courageous and helpful. To reach our shores, and enjoy our citizenship has seemed the acme of free life, the summit of ambition for people who have never known anything like freedom of living. "The moral character of the United States (has been) of more importance than any alliance," said John Adams. America has been to the world a revelation of what humanity may be at its best. Such a picture has been for the world a "pearl of great price."

If we would look back to the example of England during the 19th century, we may learn much of value to ourselves and others.

The Effort to Govern Europe by Conferences — England's Example After 1814 a Lesson to Us

After Napoleon's overthrow, England wisely refused membership in that bootless "Holy Alliance" suggested by the Czar of Russia. England retained her right of independent action, but suggested through her Foreign Minister Lord Castlereagh that the peace of Europe might be secured through a series of conferences among the great powers, to be held every few years. An attempt was made to carry out this plan, but it presently failed completely because of such wide differences of opinion between England and the others.

Enough of the plan survived, however, to make possible that so-called "concert of Europe," which remained in some kind of working order for nearly a century. This was a loose agreement by which the great powers tried, on important occasions, to cooperate for preserving peace and order in Europe. The plan was not perfect, but it accomplished something. England's insular position was of immense importance to her, and to Europe also, because she was "in" Europe, though not "of" it. Thus she stood to some extent in the position of a great outside independent influence, tending often to peace and steadiness. At time, as in the case of the Crimean War, England lost her good sense and joined in folly and waste of life and treasure. But often she restrained herself and others. Her "splendid isolation" was an influence worth everything to her people, and to others.

Herein lies an important lesson for us. Our cooperation with other nations is often wise and necessary, especially at this time when the world's foundations are "out of course," but it may be done far better when we act freely on our own best judgment, just as did England after consultation with other great powers. It hampers our usefulness to consult such a body as UN. The word "isolation" has had impressed upon it a false and sinister meaning, synonymous with selfishness. This is not true, for in the past we have given aid freely to others when in trouble, as we did to Japan when hit by the great earthquake soon after World War I. Isolationism simply means that we will not involve ourselves, by permanent obligations, in the selfish and often iniquitous policies of other nations.

The Great Influence Which the United States Might Wield

If England had her opportunity for usefulness and progress to all, at the beginning of the 19th century, the United States has an even greater opportunity today. We are more removed geographically from Europe than was England, but modern transportation enables us to reach her easily. Our material wealth and strength are much more ahead of Europe's today than were those of England when contrasted with Europe's in 1814. As she was then the world's great banker and carrier and manufacturer, so we today are in a similar position, not for Europe only, but for the world, and in a greater degree. Though we cannot well return to our precise independent position as respects the world, that we held prior to World War I, yet we may and should possess a position of retirement from every petty feud and brawl that may arise anywhere on the globe. The "cease-fire" orders of UN have been "as much in mock as mark," and we will do well to abjure such things. In saying this, we are not advocating an abrupt and dishonorable retirement from all obligations, leaving the world to recover itself as best it may from its present confusion, for some of which we are in part responsible. We simple advocate a change of direction and purpose for the future. But to accomplish things at our best, we need to stand independent, by withdrawing from the United Nations or any similar world federation.

Effect of Withdrawal From UN

After such a withdrawal, if it became understood that the great

republic of the West, though not acting the part of a bully, or of a "busybody in other men's matters," would insist on being heard on any affair that really threatened to involve her own interests, she would command a respect and attention such as UN has never been able to secure. Thereby, she would do the whole world a service beyond price. If you doubt this, look at past results when we acted for ourselves.

America's Influence Upon the World in the Past

America has caused the world to *"take notice"* whenever she has acted with deliberation, and for herself: (1) In 1823, President Monroe issued a message to our Congress which the world has ever since respectfully heeded; (2) After our Civil War, our notice to France to quit Mexico and abandon all efforts to set up a monarchy there, overthrew Louis Napoleon's tinsel and magniloquent ambitions for founding an empire; (3) In 1895, when England was threatening Venezuela because of a disputed boundary line, a simple message from President Cleveland to Congress for the naming of a commission to determine the point of difference, was enough to persuade Lord Salisbury to agree to a peaceful settlement of the whole matter. This is in striking contrast to the methods of the UN at present, so heavily overcharged with speeches and resolutions that accomplish nothing; (4) In 1905, President Theodore Roosevelt's advice brought about the Treaty of Portsmouth, which ended a cruel war between Russia and Japan; (5) About the same time, the same President brought to terms the puissant German Kaiser who was threatening to seize the customhouse at Venezuela's principal port in order to enforce payment of a debt claimed from Venezuela by Germany.

These are real and solid achievements, accomplished without a parade of fleets and armies, and without talk about human rights.

A Change of Policy and Its Results

Within a generation our national policy has taken a different direction. The reasons for this we do not discuss, only results. These have been sufficiently startling. They began soon after World War I.

We interfered in conditions abroad which we very imperfectly understood, if indeed we grasped them at all. These blunders have cost us all moral influence, and have won for us the hatred of millions. We make no attempt to recite in detail the line of diplomatic tragedies that have happened since 1919, down to the present Korean "police action," the purposes of which few profess to understand, and the end of which is not in sight, though it has lasted longer than the time of our participation in World War I. It has cost American and Chinese lives by the tens of thousands.

This is not the place to speak of Russia and our policies toward her. We seem to be in a veritable "blue funk" of fear of her; we attribute to her powers little short of magical, as a distinguished scholar said last year. Russia is a land abounding with spies, assassins and secret societies. The present rulers sit on thrones as uneasy as that of the last Czar. They fear their own army and their inability to feed their own people well. They are in great fear of our tremendous superiority over them in ability to produce armament. They are not foolish enough to ignore this. Russia today is strong because of our own inexcusable folly in building her up from weakness. Perhaps what is most needed today is for some one to "call her bluff." The United States could do this independently far better than if it were tried through a federation of 60 nations that do not know their own minds.

The Injury to Our Own Home Land

While we have been planning peace for the whole world, what have we done at home? We have almost reached a point where militarism is so powerful that we hesitate to call ourselves a free country. We have copied Bismarck and Hitler by our emphasis on war and preparations for war, till at last not only do we appropriate billions of dollars for that purpose, but we have even come to a point where we seek to introduce into American life that abomination of abominations, Universal Military Training. This is jauntily advocated without a thought as to the profound and frightful influence it would have upon the whole plan of American life. If every boy is to become a soldier from his early years, we are simply walking in the path that led Germany to its ruin; it was Mirabeau, the French statesman, who said that Prussia made war "a business." Is America to do the same? Our national debts are already so high that we cannot easily raise any more revenue by taxation. It is becoming impossible for an ordinary family to send its boy to college, because father's earnings in business are absorbed by the tax office. There is barely enough to run the family. We have centered immense authority in Washington. In short, we have flung away the fairest of opportunities for keeping our own America what she used to be—the land of promise both for those who dwell in her borders and for those who wished to enter.

A Warning From the Bible

In the Book of Judges, the story of the strong man Sampson reads us a terrible lesson. This man was so strong physically that his enemies were helpless against his muscles; but he threw away his morals, and made such a fool of himself that he pulled down a whole building upon himself and his foes together. He brought about well-nigh universal ruin.

Public Utility Securities

By OWEN ELY

Florida Power Corp.

Florida Power Corp. renders electric service (which supplies 100% of revenues) to some 152,000 customers in 96 municipalities and 150 unincorporated towns and rural communities on the West Coast of Florida. The territory comprises some 20,600 square miles with a population of 700,000. The more important industries are citrus packing and canning plants, phosphate mining and processing and lime-rock mining. In Pinellas County, and to a somewhat lesser degree in other areas served by the Company, the tourist business has a substantial effect on economic conditions. Other important factors are raising of citrus fruits and vegetables, tobacco growing, cattle raising, dairying, lumbering, naval stores, fishing, and sponge fishing.

The subsidiary, Georgia Power & Light, renders electric service to 30,200 electric customers in 35 cities and towns, and 14 smaller communities. The area served is approximately 7,500 square miles with a population of 250,000. The properties in Florida and those in Georgia are operated as a single system.

Florida Power Corp. is one of the fastest growing utilities in the United States, revenues having increased 16% in 1951 over 1950. Kwh sales gained 17% and the number of residential customers 11%, while average residential usage increased 8% to 2,284 kwh. New construction in 1951 approximated $16 million, a gain of 23% over 1950.

Florida has the largest phosphate deposits in the country and these are being increasingly used by the chemical companies for fertilizer and other products. International Minerals & Chemical is an important customer of the Company. Uranium (used in atomic fission) can be obtained as a by-product from phosphates.

While Florida is noted mainly for the tourist and citrus industries, other business activities are becoming important. The State now ranks third in cattle-raising, and forest products and commercial fishing are important. It has been discovered that there is a reservoir of skilled labor among retired people on the west coast, and because of the difficulty of obtaining draftsmen and engineers elsewhere Babcock & Wilcox is opening a plant in St. Petersburg. The influx of tourists and visitors to the state is becoming more of a year-round affair, so that the former 25% spread between the winter and summer peak loads has now been reduced to 14%.

The record of share earnings and dividends in recent years has been as follows:

	Earned	Dividend
12 Mos. ended April 30, 1952	$1.54	$1.20
Calendar Year		
1951	1.29	1.20
1950	1.62	1.20
1949	1.61	1.15
1948	1.63	1.00
1947	1.57	1.00

In recent years the Company has suffered from two handicaps, which have offset the benefits of rapid growth—in adequate generating capacity and low rates. Both of these difficulties are now being remedied. At the end of the war the Company had no generating equipment less than 25 years old, and at times it has been necessary to pay high prices for emergency power, and to deny interruptable power service to phosphate mines. However, a new 40,000 kw unit went in about a year ago, saving the Company some $720,000 a year in purchased power. The unit at Suwanee River Plant is scheduled for completion in December, 1952, the unit at Avon Park Plant in November, 1952, and the two remaining units at Higgins Plant in 1953.

Purchase of power from Tampa Electric can now be ended, saving $85,000 a year, and new contracts have been made for sale of power to the cities of Ocala and Quincy, increasing revenues by $52,000. The unprofitable contract with the City of Talahassee at 4.9 mills has expired relieving the Company of approximately $110,000 loss per annum. Net savings of $32,000 are expected this year due to cancellation of the Federal Excise tax on electricity, minus the increase in Federal income taxes.

A substantial part of the Company's revenues are obtained in Pinellas County where St. Petersburg is located. Until recently there was no state commission in Florida to regulate utility rates, but Pinellas County has had a board to regulate rates within the county. The Board ordered a rate cut some time ago, and appeals made by the Company to the State courts were lost. When the new Commission was created last year the Company asked for a rate increase. Recently they were permitted to install rate surcharges which in effect mean an increase of 14½% in rates—6½% based on higher fuel costs and 8% based on a commodity price index. It is estimated that the increased revenues will add about 29c a share to earnings per annum.

The Company is hopeful of obtaining further rate relief at some later date: it is anticipated that application for permanent rates may be made next fall. If the Company were allowed to earn 6% on an original cost rate base, this would mean an estimated $2.06 per share on the increased number of shares. (The Company has announced a subscription offering of common stock on a one-for-five basis in July.) President Clapp estimates share earnings (on the present rate basis) of $1.73 for the calendar year 1952, $2 for 1953 and $1.80 in 1954.

Securities Salesman's Corner

By JOHN DUTTON

In approximately four short years, Don Mott, who is a general insurance agent in Orlando, Fla., doubled the size and business volume of his agency. He attributes a large portion of his success to an effective advertising campaign which I am going to do my best to tell you about here. There is a very close relationship, in my opinion, between the methods that will produce results in selling insurance and investment securities. This plan that follows has been undertaken in a city of about 50,000 population where there are many home-owning and conservative people. Those security dealers who live in such communities might also keep this fact in mind. It would be my opinion, however, that the size of the community, whether large or small, should not have too much effect upon the results that could be obtained from a similar campaign relating to the sale of investment securities.

Mr. Mott originally started using a syndicated column that he bought from a service. After a trial he went to his newspaper editor and asked him what he thought about continuing with the syndicate. The friendly editor told him he thought that he could write a better column and suggested that he should try it out. Although he had never written anything along such lines, Mott began to write small editorial advertisements once a week. These appeared every Thursday in the same section of the paper.

He wrote the way he talked. He wrote about wrecks and fires. He made it personal and did not try to preach or teach. He just "talked to folks." He eliminated statistics and he brought his reader audience into his business and his column. He continued to discuss insurance but he sold the public on "Mott." He talked about prompt settlement of claims. He mentioned that people wanted to be helped to buy the right insurance and he didn't believe that they wanted anything pushed upon them, whether it was a policy or anything else. He talked about how important it is for everyone to reduce accidents, fires, etc., because all would benefit from lower rates if this were accomplished. He left technicalities completely out of his column.

After this weekly stint in the paper began to make itself known in the community, Mott took on a 15-minute radio program. This radio time was obtained on the same day as the column appeared in the paper. At the end of every column is the line, "Listen to Don Mott's Corner" tonight at 7:15 WLOF. In these weekly radio talks Mott continues the same friendly and informal style of discussion that he used in his newspaper column. Both the radio talk and the column are called "Don Mott's Corner."

When I asked him if he could find definite evidence of results from this type of advertising he replied that at one time he discontinued the campaign for a short while and his business dropped 25%. At another time he spoke about a certain policy and he told people to send in their orders and he would write them up. The next day his office wrote 12 policies by mail order as a direct result of his offer. In addition, he has increased his sales force because his salesmen now tell him that when they call to see a prospect they are "welcome." His advertising has paved the way.

Isn't it possible that these ideas could be adapted to the sale of securities? In almost every city and town in this country people are eager to learn more about saving and investing. They want to know how they can safeguard their capital and make it grow. They want plans for educating their children, for reducing taxes, for obtaining more current income, for making their retirement years more secure. They want to know what to do with the government bonds they have bought. They have problems and they would like to talk with someone about them, but they don't know where to go. Possibly you too could write a little column about the many human and interesting facets of the investment of money. If you can hang out the "Welcome" sign in your town isn't it possible that after a while people will come to your office too.

P.S.—Another "tie in" used in this campaign is an attractive glass enclosed sign which is carried by many of the city's taxicabs which refers to Mr. Mott's program on the radio. You cannot avoid reading it if you are driving your car and a taxi is in front of you.

Lafferty Admits

George B. Harris, Jr. has become a partner in R. F. Lafferty & Co., 19 Rector Street, New York City, members of the New York Curb Exchange.

To Be La Branche & Wood

On July 1 the firm name of La Branche & Co., 50 Broadway, New York City, members of the New York Stock Exchange, will be changed to La Branche & Wood.

To Retire From Firm

Ira M. Younker will retire from partnership in Ralph E. Samuel & Co., New York City, members of the New York Stock Exchange, as of June 30th.

Forms M. Alperin Co.

BOSTON, Mass. — Michael Alperin is engaging in the securities business from offices at 154 Boylston Street, under the firm name of Michael Alperin & Co. He was formerly a partner in Blumenthal & Alperin.

Mutual Funds

By ROBERT R. RICH

Professor Believes Unions Should Revamp Outmoded Investment Policies

Labor unions are needlessly sacrificing yield and potential capital gain because of their negative investment policies in confining union assets to cash and government bonds, concluded Assistant Professor of Economics Nathan Belfer, after completing an exhaustive analysis of the investment policies of trade unions.

Pointing out that "open-end mutual investment trusts" are a possible outlet for union funds, Professor Belfer stressed the unions' need for informed expertness in the handling of their money.

"There is no reason, of course, why union officials would be experts on investment matters," the analysis states. However, it notes that financial experts are usually not present on the staffs of most unions and that, in fact, many unions would probably not know where to go if they did desire expert investment advice.

"The investment community should be able to provide this service for the unions," the economist says, "but it should be borne in mind, however, that while unions may move in the direction of greater diversification of their assets, they will only do so slowly and cautiously." Professor Belfer believes that the present portfolio policy of labor unions, outmoded in this day of sophisticated and informed investment planning, is the result of fear and lack of knowledge on the part of union officials.

"Unions," he observed, "are very keen students and watch economic and social trends closely; it is, therefore, surprising to find that in the investment of their own funds, the unions have not participated fully in American industrial development."

The analysis estimates that total union assets are in the neighborhood of one billion dollars. Taking as a sample the balance sheets of 40 major national unions, assets were shown to be distributed as follows: 10.2% cash, 74% government bonds, 1.5% stock, 2.3% real estate, 5.3% mortgage holdings, 4.6% loans and the residuum in savings accounts and the like. Professor Belfer noted, however, that one labor union—the National Brotherhood of Operative Potters—has 72% of its total assets invested in common and preferred stocks, 5% in cash, 13% in governments, 6% in savings accounts and 4% in real estate. The equity holdings, the report noted, are confined almost entirely to banks, insurance companies and public utilities. A few unions have purchased some shares in open-end mutual investment trusts, the report said, and last year the Texas Federation of Labor (the group representing the American Federation of Labor unions in Texas) decided that it would be of great educational value for the membership if the Federation were to buy some common stock in a company.

Noting that some unions have very large memberships and substantial treasuries, Professor Belfer said an investment trust approach is feasible for such unions. Other unions, he commented, have memberships of only several thousand and relatively small treasuries. "In such cases," he observes, "investment in some outside independent investment trust may be desirable," and "over-all financial planning by the unions would make possible the investment of funds at regular intervals in accordance with some definite investment policy."

Economist Predicts Five Years of Good Business

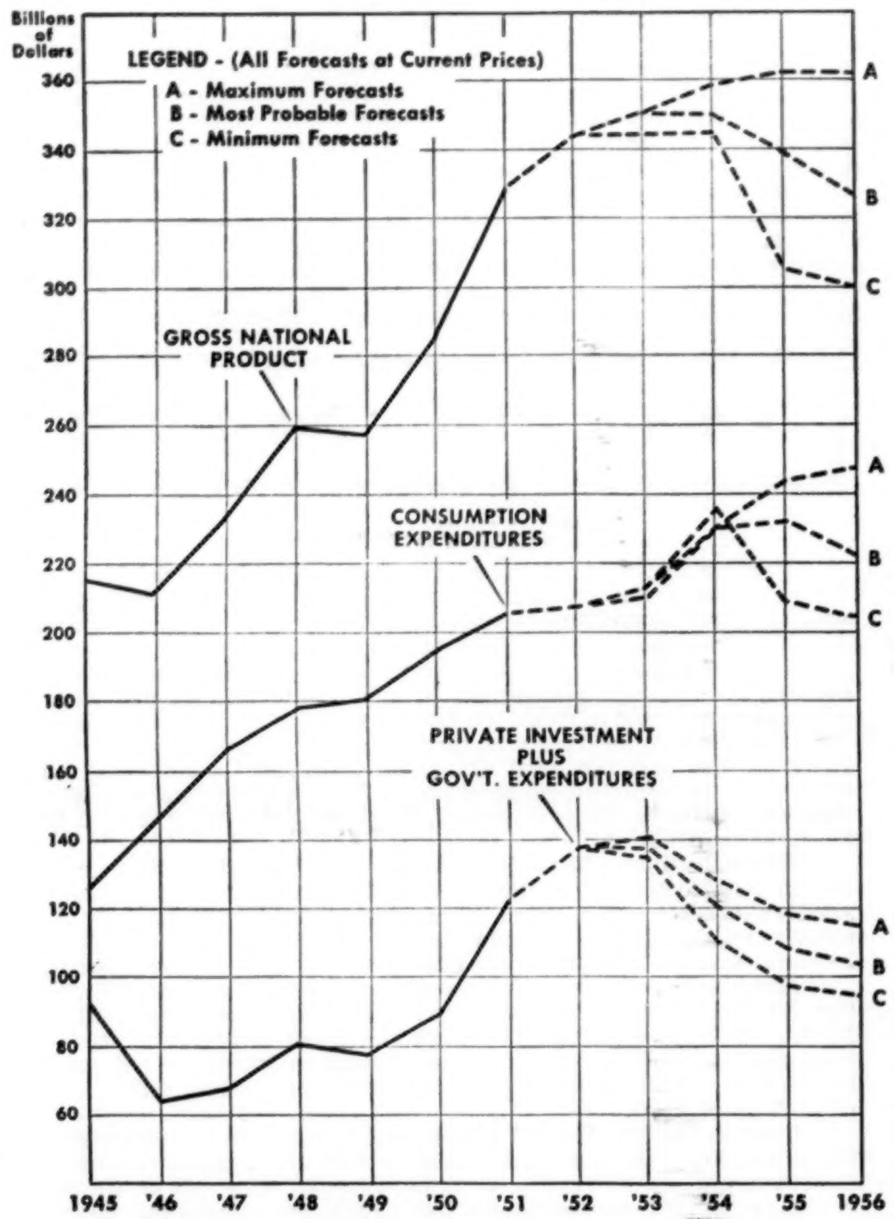
Americans can be confident and optimistic about the future course of business for the next five years, Frank D. Newbury reported Wednesday to National Securities & Research Corp.

Mr. Newbury, a consulting economist, stated in his analysis that business, in terms of America's total production of goods and services, will approximate or exceed the all-time peak of 1951. The primary reason, Mr. Newbury says, is that governmental expenditures and private investment are expected to remain at a high level. These expenditures today are the major prop of business activity. In his five-year forecast of business volume, Mr. Newbury said the probable levels of GNP will be (Continued on p. 31)

The Business Outlook

FIVE YEAR FORECAST

1945-1951 ACTUAL 1952-1956 FORECAST



This chart is a graphic summary of a five-year business forecast made by Frank D. Newbury, consulting economist, for Henry J. Simonson, Jr., President of National Securities & Research Corporation. The gross national product is the market value of the total output of goods and services produced in the national economy before depreciation allowances, or—put another way—is the sum of personal consumption expenditures plus gross private domestic investment (including inventory changes) plus net foreign investment plus government purchases of goods and services.

Mutual Fund Notes

CANADA GENERAL Fund, a new investment company, incorporated in Delaware for the purpose of investing in selected Canadian corporations, filed Tuesday, with the Securities and Exchange Commission a registration statement covering a proposed public offering of 1,350,000 shares of capital stock. The stock is expected to be priced at $10 a share. On this basis the fund would be one of the largest American investment companies to invest in companies doing business in Canada.

The company, at the outset a closed-end fund, will become an open-end investment company immediately following completion of the initial financing. The firm of Vance, Sanders & Company, Boston, will become the distributor of the shares after the Fund becomes an open-end investment company.

AS EVIDENCE of the current American interest in Canada's prosperity, Calvin Bullock reports that there were 7,181 registered shareholders of Canadian Fund after the first month of its existence as a mutual fund. The fund is presently qualified in 31 states and the District of Columbia.

DIVIDENDS received from Canadian securities by American mutual funds investing in Canada will be subject to a maximum 15% Canadian withholding tax at the source, and will be considered an expense to the U. S. funds.

The shares of various American mutual funds investing in Canada will not be subject to Canadian death duties if the shareholder is a resident U. S. citizen who is physically located in this country at the time of his death.

$327.8 billion in 1951; $344 billion in 1952; $350 billion in 1953; $350 billion in 1954; $340 billion in 1955 and $327 billion in 1956.

Commenting on the economic situation today the economist thought that soft prices, abundant supplies and compressed consumer demand are only temporary surface movements. "I believe," Mr. Newbury remarked, "the main current of business activity will be determined this year and in future years, as in the past, by aggregate expenditures of government and business for goods of an investment nature."

The report predicted little or no money inflation over the next five years.

Everything's Up But the Market Statistics

Vance, Sanders & Company, analyzing the changes in the national economy since 1929, has discovered some statistics that ought to make everyone in the securities field feel good—about the future, that is. Vance, Sanders' statistics indicate that there has been less inflation in the stock market than in almost any other phase of our economy. Here are a few samples of percentage changes since 1929: Population is up 28%, the gross national product is sitting at a peak rise of 226%, industrial production is 97% higher (than 1935-39), corporate profits are 98% more, the cost of living is 53% above the 1935-39 average, dividends are 55% higher and the money supply has bank-rolled 236%. Had enough? Well, here are a few statistics that went the other way. Brokers' loans are 89% lower than in 1929, the price-earnings ratio is 46% lower, the yield on high-grade bonds is down 40%, and on preferred stocks is down 21%, and stock prices are 8% lower than the 1935-39 average. Is it our turn next?

NEW PROSPECTUSES

BOSTON FUND has released for dealers a new prospectus dated June 2, 1952. Available from 111 Devonshire Street, Boston 9, Mass.

DREYFUS FUND released for dealers this week a prospectus of completely new design dated May 15, 1952. Available from 50 Broadway, New York 4, N. Y.

SEC REGISTRATIONS

BONDSTOCK Corp., Tacoma, Wash., on June 9 filed a registration statement with the Securities and Exchange Commission covering 100,000 shares of common stock to be offered by Frank Russell & Co., Tacoma, as principal underwriter.

NATIONAL SECURITIES Series on June 12 filed a registration statement covering shares aggregating $63,660,000, to be offered through National Securities & Research Corporation.

CALVERT FUNDS, Wilmington, Del., filed a letter of notification on May 19 covering 300,000 shares of common stock to be offered at a par of $1 through Calvert Securities Corp. The offering proceeds will be used to acquire, hold, and sell stock options on listed and unlisted securities and on commodities.

Continued from page 11

The Outlook for Banking

provide continued effective management.

III
Capital

As long as I'm speaking of bankers who have benefited from experience and who consider that secondhand experience often can be the "best buy," I should mention that they number among their ranks those who realize the necessity of maintaining adequate capital structure and have consistently done so — notwithstanding all the difficulties and obstacles. Too many bankers are viewing the problem from the wrong angle. They are devoting too much of their energy to trying to prove (1) that bank capital isn't as important today as it was prior to the FDIC and the acquisition of a sizable portfolio of government bonds, (2) that the supervisors have no authority to require the replenishment of capital, even in grossly undercapitalized banks, (3) that the supervisors employ the wrong methods of determining capital adequacy, (4) that the present market for bank stocks makes it impossible to sell new common stock, and (5) that taxes are inequitable and are too high anyway.

I have gone through enough recapitalizations — voluntary and otherwise—to be cognizant of the pros and cons of most of the arguments on each of these points. No one can deny the existence of obstacles, or of the difficulties involved—they are real. However, the fact remains that many bankers (hundreds of them) who have placed foremost the **need** for getting new capital (now, rather than when it is too late) have obtained that capital. That would indicate it may be better to accentuate the positive and minimize the negative. The need for more capital and the means of raising it should be studied on an individual case basis. Decisions should be made in the light thereof, **rather** than on the "say-so" of any so-called expert who, while talking down bank stocks, is simultaneously buying them up for personal profit.

One final word on this subject of capital. Much to do has been made about capital ratios, and about definitions of "risk assets." Ratios as such have nothing to do with **determining** capital adequacy. They are simply a system devised to facilitate the selection of the reports of examination to look at first — and longest. Capital adequacy is an individual bank problem; it depends on the kind of assets in your bank, the probable risk inherent in them, the nature of your deposit liabilities, and the quality of your management.

Representatives of the supervisory agencies with which I have been associated attempt to determine the amount of risk inherent in a bank's assets and operations before formulating definite views with respect to the adequacy of the bank's capital cushion. They do not form their judgment on the basis of any mechanical rules or ratios. You may disagree with their judgment, but you can also take it for granted that if your ratios are superficially favorable and those agencies still think you need additional capital, they believe the degree of risk in your loans or investments is inordinately high or that your management is not as good as it should be. And bear in mind that their opinions are formed in the light of a comparison of your bank with many others.

Much has been said to the effect that the agencies should define risk assets with precision. As every banker knows, the degree of risk is not the same in any two loans or any two investments. Consequently, specific classifications of risk assets would likely be more misleading to the uninformed than helpful to the well informed.

Furthermore, as I said, today adequacy of capital is treated as an individual bank problem. No responsible supervisory authority will tell anyone outside of your official bank family whether he thinks your capital position is adequate or inadequate. However, if the supervisor were required to define the exact degree of risk in each kind of loan and investment —assuming he could do it—capital adequacy might soon be a matter of arbitrary public rating for all banks and then a "ratio" would be a determinant of your bank's standing, irrespective of the quality of your management.

Bank Examinations

Before I leave this aspect of your role, I want to make one last comment. Of late there has been considerable talk, in some quarters, about the lack of authority of bank supervisors. Surely the Congress had some purpose in mind when, for example, it said that one of the objectives of the Federal Reserve Act was to make bank supervision more effective; when it vested in the Board of Governors the power to remove officers and directors of member banks for continued violations of laws and regulations or for unsafe and unsound practices; when it empowered the Board to bar from access to the credit facilities of the Federal Reserve System any member bank which overextends credit; and when it gave the Board the power to oust a State bank from membership for violations of laws and regulations, one of which requires maintenance of adequate capital.

I believe the Congress intended that the Board should exercise its powers to the end that membership in the Federal Reserve System would constitute a badge of distinction. And the Board recognizes that it has an obligation to exercise its supervisory powers in a manner which will, to the fullest extent possible, protect soundly-managed, soundly-capitalized banks from the devastating effects of failures of poor ones. While widespread membership in the Federal Reserve System is highly desirable, we believe it is more important to have the System composed of good banks than to have the largest possible membership.

Today the Federal Reserve System is in a better position than ever before to lend its assistance to member banks in times of need, but member banks must earn the right to that assistance by the exercise of prudence in times like the present.

So much for the self-interest aspect of the banker's role—the operation of a sound bank. Let me turn to his public-duty role—the public responsibility of the banker to set the economic tone of the community in thought and action, by both precept and example.

The formation of an enlightened public opinion in this field—without which neither democracy nor a free enterprise system can long endure—calls for a combination of banking efficiency and a high concept of public service. It requires the development and use of sound local credit policies, which will promote economic growth and stability — which will neither contribute to a resumption of inflationary forces, nor unduly abet deflationary forces. It requires, as well, a widespread recognition of the fact that local use of credit facilities, when viewed in the aggregate, vitally affects the economic well-being of the nation. This necessitates an informed public understanding of the nature and quality of both commercial banking and reserve banking operations.

Velocity of Money

Given the cooperation and understanding of the bankers of the country, the Federal Reserve System can, through credit and monetary policy, influence the volume of the main element of our money supply—bank deposits. But that is not, by any means, the sole factor in maintaining economic stability. Bankers know that the velocity of the turnover of our money supply is extremely important. They appreciate the fact, too often overlooked by others, that a ten dollar bill spent five times represents not ten but fifty dollars of purchasing power, which when multiplied by billions becomes obviously significant. The banker also knows that while, through the exercise of general credit controls, the Federal Reserve System can influence that velocity to some extent, the attitude and activities of the public also have an important influence thereon. For that reason it is up to him—more than anyone else in the community—to bring about a broader public understanding of credit and monetary matters and their bearing on the course of our economy.

Much depends upon each individual in the community, on how much he saves, how much he spends, how fast, when, and for what. That is one of the reasons I am concerned over the careless remarks a few bankers are making about United States Savings Bonds. I do not know what the dollar would be worth today if the $57 billion now invested in savings bonds had been poured into the spending stream. But I am certain that all of us are far better off than we would have been if, instead of that money having been saved, it had been spent for commodities. Fortunately, or unfortunately, those who haven't bought and held savings bonds have also benefited by this saving, to the extent that it eased inflationary pressures and hence affected the value of everyone's dollars.

Our present money supply turned over at the present rate of velocity has tended, over the past year or so, to move goods off the market with little change in prices; hence the neutral position in which we find our economy—a delicate but salutary state of balance between inflation and deflation. During this period, savings have been increasing. If the velocity of turnover should be drastically curtailed, if people should stop buying altogether, we could be faced with a serious downturn, and if the velocity of turnover should be drastically increased, through a buying spree like that which followed Korea, we could be in danger of another surge of inflation. Therefore, it is extremely important that people understand the significance of their aggregate action upon the value of the dollar.

Direct vs. Indirect Controls

The bankers of this country have the knowledge, experience, and ability to take the lead in forming enlightened public opinion and wider understanding of financial matters. There are many areas in which a better public understanding is needed, but let me exemplify by referring to just one: the respective parts which general and selective credit measures play in helping to maintain stable economic progress.

The general measures are, as you know, discount policy, open market operations, and reserve requirements. They could be called indirect controls. The selective controls are those which operate to restrict specific types of borrowing, such as consumer instalment and real estate credit. They directly affect the individual and require policing. You will remember that suspension of the Voluntary Credit Restraint Program and Regulation W in quick succession by the Board of Governors led to newspaper comment to the effect that "**all** credit curbs had been suspended except on new homes." That reflects a widespread lack of realization of the fundamental changes which have taken place in the environment in which monetary and credit policies operate today, in contrast with the situation existing prior to the Treasury-Federal Reserve accord.

Prior to the accord, the general credit controls were largely ineffective because the support of the government bond market by the Federal Reserve System made it dangerously easy for the banking system to replenish reserves as a basis for loan expansion and for other financial institutions to obtain funds at will, through the conversion of their holdings of government securities into cash at a supported price. Prior to the accord, selective credit controls had come to be looked upon as substitutes for general controls, rather than as supplementary measures. Since the accord, we have reverted to reliance upon the traditional methods, the general control measures, and thereby restored to the Federal Reserve System the initiative in expanding or contracting reserves and hence in moderating monetary and credit swings in either direction.

In using this example, I do not wish to be understood as deprecating selective credit controls. I merely wish to have them publicly understood for what they are: useful supplements rather than complete substitutes for basic general credit controls. Like many of today's wonder drugs, they have their place in the arsenal of remedies in times of need. but they should not be regarded as panaceas. When used properly they can be extremely helpful in dealing with emergencies. The use of these drugs will often carry a patient through a crisis, but once this has been accomplished, continued use of them—my doctor tells me—may do more harm than good.

Similarly, timing is of the essence in the use of selective credit measures, not only in their imposition, but in their withdrawal as well. Holding on to some of these measures too long might prove just as harmful as using them too soon. Consequently, when judging motives for suspending or relaxing a selective control, one should bear in mind the fundamental principle of a democratic free enterprise system, that the extension or retention of governmental control over individuals and institutions should be kept to the minimum consistent with the safety and well-being of the nation.

You bankers, as the leaders of financial and economic thought in your communities, can do much to foster a broader understanding of the functioning of our monetary and credit system, of the significance of sound fiscal and monetary policies, of the importance of the activities of the individual, and of the part which each of us must play if we are to preserve for ourselves and our children the kind of life we cherish. Only through leadership of this nature, which takes into consideration both aspects — the self-interested operation of a system of strong and vigorous banks and the public duty of providing intelligent community guidance—can we make certain that the outlook for banking is what we want it to be. We are not puppets, helpless in the grasp of overwhelming forces. We can control our destiny, if we will. Actually, the outlook for banking is not in the stars, but in ourselves.

Daniel T. Gilmartin, Jr.

Daniel T. Gilmartin, Jr., associated with A. M. Kidder & Co., New York City, passed away at his home following a heart attack.

Luke C. Doyle

Luke C. Doyle of Pyne, Kendall & Hollister, New York City, passed away June 16 at the age of 66.

Joins Scanlan Staff

(Special to THE FINANCIAL CHRONICLE)

DENVER, Colo.—Earl L. Neidiger has joined the staff of Earl M. Scanlon & Company, Colorado National Bank Building.

Continued from first page

Business Will Remain Good After Defense Spending Peak

it has helped those countries to revitalize their own economies, which are truly our first line of defense. Another significant step was the formation of the North Atlantic Treaty Organization. Since its establishment in 1949, NATO has grown steadily in strength and unity.

Our own Nation necessarily has had to bear a substantial part of the mutual defense burden up until now. In assuming that burden, we are confronted by the challenge that, while doing so, we must manage our internal affairs in such a way that our economy will be kept strong and healthy, steadily growing and steadily more productive.

Defends Defense Spending

There are some, of course, who feel that this country is trying to do too much. They feel that the expenditures required by the defense program will not only fail to save our country, but will do it harm. They feel that we cannot carry on against the aggressor in Korea, we cannot build up our military establishments, we cannot provide military and economic aid to our NATO allies, we cannot increase our productive equipment and, at the same time, continue to maintain a sound civilian economy.

But frankly, I am convinced that the goals that have been set are attainable. The job can be done, and it must be done. We have only to look at our past to see that our abilities are sufficient for the job ahead of us. In the annals of history, no other nation has made the industrial, economic and technological progress that this country has made since the end of World War II. No other nation has ever raised the living standards of its people so high in so short a period of time. More homes have been built, more automobiles have been produced, more clothing and household goods have been manufactured and distributed than in any other six-year period of time.

Dramatic strides have been made here in Tennessee, throughout all the South, and throughout the whole Nation. They add up to an achievement unprecedented in its magnitude. Here are some significant examples: since 1941 the total volume of national production has increased by more than one-third. Private industry has expanded its plant and equipment by over $160 billion. Emloyment and personal incomes have been at record levels. There has been tremendous development of new techniques, new processes, and new materials. They are the product of our intensive war and postwar research. They promise future developments which will certainly be as great as those of the past. Scientific research is continually opening new doors to opportunity.

In this country we have constantly striven to spread the benefits of science and technology, of improved techniques and improved ways of using our resources, among all of our people. This has meant volume production. It has meant a broadly-based mass market for the products of American industry and agriculture.

In the Treasury, we are obliged to keep closely in touch with developments and prospects in the business world, because the volume of business activity has a very considerable effect on national income, Government revenues, security prices, debt management policies, and other important Treasury activities.

Businessmen Fearful

Although our total national production of goods and services is at the highest level on record, in recent months there has been some apprehension among businessmen concerning the economic outlook. In part, this stems from a lower volume of sales in certain consumer goods during the past 12 months. In part, it stems from a differenet problem — the outlook for business conditions and the general economy after the peak of defense production has been passed. These two distinct sources of business anxiety call for separate analysis.

When people rushed to stock up consumer goods after Korea, they set in motion a train of inevitable consequences. Since the first quarter of last year, the civilian economy has been going through a corrective period in an effort to get back to normal demand and supply relationships. Retail sales leveled out, after receding from their previous excessive levels. Manufacturers of many consumer goods found their orders curtailed, and were obliged to cut back production sharply. The civilian economy has gone through a full year of this corrective adjustment, while, at the same time, the resulting slack has largely been taken up by the expanding defense program.

Signs are now becoming evident that the adjustment in the civilian economy may be nearing an end. Total inventories of retail stores have been substantially reduced over the past year, and are now not far from normal in relation to current sales. The basic commodities price index during May showed the first evidence of firmness since last December.

A major concern among businessmen over the past year has been a comparative lack of buying interest at the retail level. Retail buying, however, recently has begun to show noticeable improvement, as evidenced by the fact that personal consumption expenditures in the first quarter of this year were at an annual rate of $3 billion above those of the previous quarter.

There is a sound basis for this. For more than a year, purchases of consumer goods have been considerably below normal in relation to personal income after taxes. This is an important indication of underlying strength in the business outlook. Instead of buying new goods, people have been using part of their current incomes to meet instalment payments on previous purchases. They also have been using up much of the goods they bought in the wave of excess buying which followed the outbreak of war in Korea. At the same time, many articles bought at that time are now beginning to reach the replacement stage. Such replacement, in many cases, will probably be somewhat hastened by the new models which manufacturers are putting on the market this year in competitive sales programs.

The reluctance of the public to increase their purchases in recent months certainly has not been due to lack of purchasing power. On the contrary, people have been putting a larger than normal proportion of their incomes into savings. This increased saving means a greater volume of potential purchasing power for the future.

Long-Term Outlook Favorable

The longer-term business outlook, after defense production has passed its peak, is equally encouraging. There has been considerable concern among businessmen that a slackening in defense spending may mark the beginning of an important downturn in business activity. I cannot agree that any such downturn must necessarily occur.

It is true that the rearmament program is providing a substantial source of temporary additional demand. It has of course increased production and employment in some industries. It has been an important factor in the expansion in capital investments in new plant and equipment. But an armament program also carries with it important offsetting factors. These are increased production costs, interference with the normal flow of materials, and curtailment of nondefense construction. These offsetting factors prevent a full and free development of the civilian economy. Termination of the defense production program will release important strengthening factors for civilian production and demand.

Heavy defense expenditures, however, will probably be needed for several years more. This will permit business and industry to make a gradual transition, and to correct any imbalances that may be present now.

The fact that caution is being shown now by businessmen is an important factor of strength for the future. They are carefully checking their production and markets in order not to become overextended, and they are making a more careful analysis of the advantages of future opportunities. This same cautious attitude was one of the most potent factors of continued strength during the very modest business adjustment in 1949 and early 1950.

We can be encouraged in the long-term trend of business because we are not living in a static economy, but in a strongly dynamic one. Surprisingly few people realize how rapidly our population is growing. In a country with our natural and financial resources and our technical ability, an expanding population helps stimulate an expanding economy. Our domestic market for all kinds of goods has been enlarged by an additional 2,700,000 people in the past year alone. This is equivalent to the population of a new state the size of Florida, or Iowa, or Louisiana. These people require new homes, new consumer goods, new industrial capacity, municipal development, transportation and all the equipment for modern living.

Scientific Discoveries Impressive

Another dynamic factor in the national economy is the accelerating rate of growth in new scientific discoveries and new industrial techniques. These promise opportunities for increased industrial activity and new capital investment in the years ahead.

My belief in the nation's economic future is materially strengthened by the fact that our modern American economy is toughly resistant to shock. During the past decade, we have demonstrated the resilience of our economy. In record time, business and industry were converted into a multi-billion dollar war production machine during World War II. Later, with a minimum of friction, they were quickly reconverted to a peacetime economy with record high levels of production and employment. Then, with little apparent difficulty, they were again placed on a partial wartime basis following the outbreak of the war in Korea. Such achievements were possible because our economy has developed a high degree of adaptability. When the free people of a democracy take an active and interested part in shaping the surroundings in which they live, there inevitably is a constant stream of new ideas, new processes and new ways of doing things. These help develop a flexible and a strong economy.

This country's remarkable record of achievement is due primarily to the fact that here in America we have created an environment in which individual initiative and scientific genius can flourish. No man is told whether he must plow a farm or work in a factory, or whether his children shall or shall not be permitted to enter schools of higher learning. He is not told what he must think or what pattern his life must take. He is still free to hitch his wagon to the star of his own choosing. Both he and society benefit from his aspirations and his efforts.

As a result of this, America is a powerful nation. Part of America's power grows out of her great wealth of natural resources. But such resources by themselves cannot make a great economy. The key to this country's power lies in the tremendous productive capacity created through the work of millions of people living under an enterprise economy.

Today a substantial proportion of our national productive power is dedicated to the cause of preventing Communist aggression. More than $30 billion of our production in 1952 will be for this purpose, and the trend will continue upward. As presently scheduled, the program will reach a plateau in 1953 which will be maintained through 1953 and 1954.

Part of these defense expenditures will have to be financed by borrowing. The manner in which these additional funds are borrowed will be of great importance to our economy.

When I took oath of office as Secretary of the Treasury on June 25, 1946, I made this statement: "It is the responsibility of the government to reduce its expenditures in every possible way, to maintain adequate tax rates . . . and to achieve a balanced budget — or better. . . ." For the six years, since then, taken as a whole, I can fortunately say that our national finances will have been "better" than balanced. By that I mean that the total revenues of our government have exceeded expenditures by about $2 billion. This six-year surplus has been achieved in spite of the sharp changes that have taken place in our economy as we shifted at the end of World War II from armament to disarmament, and now back to rearmament.

Deficit Borrowing Needed

In a few weeks, however, the Federal Government will begin to run a deficit because of the mounting defense expenditures. The amount involved is not definite, but it will likely be substantial. It is my responsibility, as Secretary of the Treasury, to raise the necessary funds. But it is equally my responsibility to see that the methods used are such as to make the maximum contribution to the continuing development of our economy.

We have been and are exploring all the possible methods of raising these funds.

One of the steps we have recently taken, which is of particular interest to you, was to increase the attractiveness of savings bonds both to investors in small denomination bonds and to the larger investors as well.

The Savings Bond Program has had great success in promoting thrift in the post World War II period. This is evidenced by the fact that the cash value of series E savings bonds outstanding today is greater than at any period in history. This great accomplishment has been due strictly to the keen interest the public has taken in the Savings Bonds program. For it has actually been sustained by the volunteer work of individuals and businesses of this country. The small staff of paid employees of the Savings Bonds Division alone could not have done the job that has been done. They alone cannot do the job that still needs to be done. The Treasury must rely on the help of individual citizens and organizations such as yours, for only with that help can the program measure up to its fullest potential.

It takes hard work, right down the line, to do the job which the Exchange Clubs have done in supporting the savings bond program. Every one of you who has contributed his efforts in behalf of this program helped earn the Defense Bond Flag the Treasury was pleased to present to The National Exchange Club at its Convention in Miami last October.

With the enthusiastic approval and support of the citizens of this country, and with the continued efforts of volunteer organizations like your own, the United States savings bonds program will continue to be a major element supporting the future stability and growth of business and industry.

Problems Not Insurmountable

The Treasury's management of the public debt and the encouragement of savings are vital to maintaining a strong and healthy economy. This is true at all times, and it is particularly important during this period of increased expenditures for national defense. Sound debt management and the increasing savings of the public provide one of the strong bulwarks in maintaining good business conditions in the years that lie ahead. The power of this country, and the future of America, are to be found in the willingness of its people to plan together and work together for the common good. In a little more than 175 years, this country has been forged into a great nation and has risen to a position of world leadership. In doing so, America has also assumed great responsibilities which must be intelligently and constructively met. The problems which we have to face today are difficult, but they are not insurmountable. As long as this nation can call upon the resourcefulness, the imagination, and the flexibility of its people, it will survive and prosper, and assure a better future for all mankind.

* * *

Secretary Snyder Lauds Point IV

In addressing a seminar session of the School of Banking of the South at Louisiana State University, Baton Rouge, La., on June 12, Secretary Snyder stressed importance of Point IV program to the nation's defense effort. In this discourse, Mr. Snyder said in part as follows:

"Knowledge of the danger, and determination to combat it, are not enough, however. We must have and support a courageous defense program. I believe that we have such a program.

"First let me mention some of the reassuring facts. The remarkable progress we have made toward a powerful military defense, in cooperation with the other free nations, is the most important development of the past two years. Less well-known is our progress in the economic sphere. It is very important that here in our own country we have been able to greatly increase our productive capacity and maintain a strong and growing civilian economy, while at the same time we have been building up our armaments. In the free world as a whole, and particularly in Western Europe, the strains of greatly stepped-up rearmament programs have not been so severe as to prevent a broadening of productive capacity of European nations and maintaining an output of civilian goods substantially above prewar levels.

"These facts are reassuring. But there are, unfortunately, a number of danger points which have been developing. While the more advanced industrial countries have repaired war damages and forged ahead rapidly, there remains a

great need for increased production in these countries and in the less developed areas. One of the most practical defense measures we have undertaken is to help the underdeveloped areas to utilize their resources to improve living conditions of their people. Above all, we need to open our storehouse of technical knowledge to demonstrate in the areas where primitive conditions still exist that even a small amount of help in modern techniques and processes can bring enormous improvements in output and living standards.

Importance of Point IV

"Under the Point IV program, a good start in this direction has already been made. The program is an important aspect of our total defense effort. As I have traveled around the country, I have been impressed that there is very little general knowledge on the part of our people of the dynamic influence exerted by American technical and advisory groups under the Point IV program. In almost every area of underdeveloped economy in the free world, key contributions are being made by our technicians and specialists. They are helping the people of other countries work out plans appropriate to their own conditions. These plans are already showing tangible results in terms of the daily life of ordinary citizens.

Small Expenditures

"This progress has been made possible by technical 'know-how,' supplied by only a small number of American specialists, and through only a very limited expenditure of funds. The projects are not generally of the type that make headlines. Drainage and irrigation developments, community wells, improvement of livestock and poultry, and introduction of higher-yielding grain varieties, are examples of activities in which the Point IV program is giving technical guidance. These are things that people in other countries can see and feel and understand. Improvements of this sort are having a profound effect in turning men's minds away from the false promises of communism.

"Technical assistance to underdeveloped areas represents a new tool in our arsenal of defense weapons. It was most interesting to note not long ago that the spokesman for a group of American businessmen described the underdeveloped areas as the key to the success of our long-term security program. It was pointed out further that these areas are not arid wastes. They have great potentialities for the development of international trade in far greater volume than at present. You here in the South appreciate these facts. International trade plays an important part in the economic life of your states, with their bountiful resources and their great river and ocean ports. You understand that as we improve the productivity of the less developed areas, we are also creating additional world market capacities. From every point of view, the technical assistance being rendered under the Point IV program is of immense practical importance to the future."

With Walston, Hoffman

(Special to The Financial Chronicle)

FRESNO, Calif.—Raymond S. Whitmore has become associated with Walston, Hoffman & Goodwin, 1157 Fulton Street. He was formerly local manager for Davies & Co.

With Saunders, Stiver

(Special to The Financial Chronicle)

CLEVELAND, Ohio—Robert C. Shull is now with Saunders, Stiver & Co., Terminal Tower Building, members of the Midwest Stock Exchange.

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The State of Trade and Industry

offset increases in transportation costs since May, 1951. The price increases could range from a cent or two on small kitchenware and dry goods items to a dollar or more on furniture, radio and television sets. Officials look for no "significant" price advances since many of the articles are now selling below ceilings and are subject to strong price competition.

Steel Output Scheduled at 12.3% of Capacity Due to Strike

The impact of work stoppages in the steel industry on steel supply is not as much as you might think from listening to the tumult from Washington, says "Steel," the weekly magazine of metalworking the current week.

Even with the steelworkers' three work stoppages this year the 1952 steel ingot output through June 14 was only 3,000,000 tons less than in the corresponding period of 1951, a year in which steel output set an all-time record. At the industry's present record capacity, 3,000,000 tons is only 1½ weeks' output at capacity rates. And in the last year capacity operation has been commonplace.

Steel ingot output through mid-June of last year was 47,760,000 net tons. Through the comparable period of this year it was 44,505,000 tons, this trade weekly discloses.

The 3,000,000-ton loss could be made up the rest of this year through additional capacity that will come into operation. This is to be the biggest year from the standpoint of new capacity coming in under the steel industry's current expansion program. To the industry's record capacity of 108,587,670 net tons on Jan. 1 of this year were to be added these additional yearly capacities: 631,000 tons in the first quarter, 2,919,600 tons in the second quarter, 3,214,300 tons in the third quarter, and 1,688,800 tons in the fourth quarter.

Some of the expansion programs are behind schedule and the latest strike of steelworkers delayed them further, for in some instances construction workers refused to cross steelworkers' picket lines. Even with some delay in the expansion schedule the industry has the benefit of a larger capacity this year than in 1951. If all of the capacity could have been added according to schedule this year the total capacity at the end of this year would be 117,000,000 tons, it adds.

Another thing, in addition to increased capacity, that eases the blows of the work stoppages is a reduced demand for steel. Pressure for steel this year is distinctly less than 1951. Market analysts of one of the big steel companies expect total steel demand in 1952 to be between 105,000,000 and 110,000,000 tons. The 105,000,000 figure would be no more than was turned out last year, it pointed out.

Not all of the steel industry is struck. Still operating are producers with 14% of the nation's capacity.

Of course there will be instances of hardship among steel users. Some with sufficient overall tonnage will be hamstrung by the lack of one particular shape or size of steel, states this trade journal.

A softening in the scrap market may follow the steel strike. Mill stocks had improved before the strike, and in the Pittsburgh district, for instance, they range from 45 to 60 days' requirements.

The American Iron and Steel Institute announced that the operating rate of steel companies having 93% of the steelmaking capacity for the entire industry will be at 12.3% of capacity for the week beginning June 16, 1952, equivalent to 255,000 tons of ingots and steel for castings, or an increase of 0.1 of a point above the previous week's actual production of 254,000 tons, or 12.2% (actual) of rated capacity.

A month ago output stood at 102.7% or 2,134,000 tons.

Car Loadings Adversely Affected by Steel Strike

Loadings of revenue freight for the week ended June 7, 1952, totaled 684,243 cars, according to the Association of American Railroads, representing a decrease of 12,783, or 1.8% below the preceding week, due to a strike in the steel industry.

The week's total represented a decrease of 129,083 cars, or 15.9% below the corresponding week a year ago, and a decrease of 111,798 cars, or 14% below the comparable period in 1950.

Electric Output Shows Further Improvement in Latest Week

The amount of electric energy distributed by the electric light and power industry for the week ended June 14, 1952, was estimated at 7,126,404,000 kwh., according to the Edison Electric Institute.

The current total was 121,338,000 kwh. above that of the preceding week when actual output amounted to 7,005,066,000 kwh. It was 379,713,000 kwh., or 5.6% above the total output for the week ended June 16, 1951, and 1,114,730,000 kwh. in excess of the output reported for the corresponding period two years ago.

U. S. Auto Output Advances Moderately

Passenger car production in the United States the past week, according to "Ward's Automotive Reports," totaled 94,851 units, compared with the previous week's total of 92,956 (revised) units, and 115,202 units in the like week a year ago.

Total output for the past week was made up of 94,851 cars and 25,476 trucks built in the United States, against 92,956 cars and 24,858 trucks (revised) last week and 115,202 cars and 32,153 trucks in the comparable period a year ago.

Canadian output last week was placed at 7,640 cars and 3,465 trucks. In the preceding week 7,384 cars and 3,689 trucks were built. In the like week last year 6,910 cars and 2,761 trucks were built.

Business Failures Rise Sharply in Post-Holiday Week

Commercial and industrial failures increased to 175 in the week ended June 12 from 120 in the preceding holiday-shortened week, according to Dun & Bradstreet, Inc. Casualties exceeded the 130 which occurred in the similar week of 1951 but were off slightly from the 1950 total of 178. Failures were down 30% from the 249 in the comparable week in prewar 1939.

Wholesale Food Price Index Moves a Trifle Higher

The general food price level moved slightly upward last week after declining in the previous two weeks. The wholesale food price index, compiled by Dun & Bradstreet, Inc., rose to $6.45 on June 10, from $6.43 a week earlier, and compared with $7.07 on the corresponding 1951 date, or a drop of 8.8%.

The index represents the sum total of the price per pound of 31 foods in general use, and its chief function is to show the general trend of food prices at the wholesale level.

Wholesale Commodity Index Edged Slightly Upward

The general commodity price level finished a shade higher last week. The daily wholesale commodity price index, compiled by Dun & Bradstreet, Inc., rose to 295.12 on June 10, from 294.90 a week earlier. It compared with 316.96 on the like date a year ago, or a drop of 6.9%.

Grain markets were unsettled the past week with prices moving irregularly.

The wheat market generally continued to be depressed as weather conditions remained very favorable for the maturity of the Winter wheat crop. Other bearish influences included the expansion of harvesting operations in the Southwest, the receipt of moisture in Canada and the Northwest, and continued slowness in flour bookings.

Hard wheat bakery flours continued in slow demand in the preceding week. Buyers generally observed a waiting policy in expectation of lower prices as pressure of new wheat crop marketings increases. Demand for Spring wheat flours improved somewhat, aided by small balances. While spot cocoa values were nominally maintained at ceiling levels, futures prices registered sharp declines for the week. Weakness in the market reflected active commission house selling coupled with easiness in the London market.

Raw sugar was firmer with demand largely based on the prospect of a sharp pick-up in Summer demand for refined sugar. Profit-taking and hedge-selling, coupled with slower demand, caused a decline in lard prices last week following recent advances. Hog values were slightly below the previous week; market receipts were larger with good demand noted at the lower levels.

Cotton prices were irregular and moved sharply higher in the latter half of last week. Weakness in early dealings was largely due to profit-taking and liquidation.

Late strength was influenced by the possibility of an early settlement of the steel strike and reports of increased activity and demand for cotton goods.

Sales in the ten spot markets continued relatively large and totaled 80,400 bales in the week ended last Thursday.

Corn fluctuated unevenly and rose quite sharply at the close of last week on buying stimulated by expectations of a reduced government crop estimate. The new crop has been planted under favorable conditions and a good stand appears to be assured. Continued heavy marketings of government corn has aided processors in securing much needed grain. Oats showed weakness at times under the influence of large Canadian shipments to Chicago and other lake ports. Rye advanced sharply in late sessions on good demand based on the belief that the government crop report will show a further reduction in its estimated production of this grain.

Trade Volume Reflects Seasonal Rise in Most Sections of Nation

Retail trade rose seasonally in most parts of the nation in the period ended on Wednesday of last week as shoppers turned their attention to warm weather apparel and out-door goods. Consumer resistance to increased prices was evident in many sections, particularly in the buying of potatoes. Merchants continued to resort to reduced price promotions and extended hours to stir shoppers' interest.

Retail dollar volume in the week was estimated to be from 1% below to 3% above the level of a year ago. Regional estimates varied from the levels of a year ago by the following percentages: New England and East —3 to +1; South 0 to +4; Northwest —1 to +3; Southwest +3 to +7 and Pacific Coast +1 to +5.

Special promotions emphasizing the approach of Father's Day were instrumental in boosting the demand for men's apparel the past week.

While the interest in some household goods, particularly outdoor furniture, washers and refrigerators rose during the week, total demand did not equal level of a year ago.

The recent quickening of interest in many wholesale markets continued the past week as buyers placed an increased volume of orders in preparation for a new selling season.

The total dollar volume of wholesale orders was slightly larger than that of a year ago but about 10% below the record level reached early in 1951 when international tension spurred inventory accumulation.

Department store sales on a countrywide basis, as taken from the Federal Reserve Board's index for the week ended June 7, 1952, rose 2% above the like period of last year. In the preceding week a gain of 2% (revised) was registered from the like period a year ago. For the four weeks ended June 7, 1952 sales rose 2%. For the period Jan. 1 to June 7, 1952, department store sales registered a decline of 4% below the like period of the preceding year.

Retail trade in New York the past week was estimated to have declined about 16% below the like week in 1951 due largely to the price war raging at that time in this area, which served to spur buying.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period ended June 7, 1952, decreased 17% below the like period of last year. In the preceding week a decline of 13% (revised) was recorded from that of the similar week of 1951, while for the four weeks ended June 7, 1952, a decrease of 11% was registered below the level of a year ago. For the period Jan. 1 to June 7, 1952, volume declined 10% under the like period of the preceding year.

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American Way of Life and U. N.

make it a government as the result of nose counting. Also, it is indisputable that the unique character of our government and its resulting unique American Way of Life at its inception and for many years thereafter, are grounded in a publicly acknowledged belief in a Supreme Ruler of the Universe and the equality of mankind before God. Being equal in spiritual things, our forefathers endeavored to secure that equality under our secular government. While the people of a country may have spiritual equality without having legal equality under government, it is certain that they may not continue to have legal equality under government without a firm and militant belief in their God. As late as 1892, the Supreme Court of the United States rendered its opinion in the "Church of the Holy Trinity" case, (143 U. S. 457), wherein it said:

"This (the United States) is a religious people. This is historically true. From the discovery of America to this hour there is a single voice making this affirmation."

Then the Court reviewed the basic documentary history of this Republic, the charters, commissions and official proclamations and finally the Constitution itself. It then said:

"There is no dissonance in these declarations. These are not individual sayings or declarations of private persons; they are organic utterances; they speak the voice of the entire people. . . . There is a universal language pervading them all having but one meaning; they affirm and reaffirm that this is a religious nation."

It is to be emphasized that the highest court in this land thus spoke in 1892, or 60 years ago. That was long before we made basic changes in our form of government by the adoption of the 16th Amendment, pursuant to which you are now "privileged" to pay from 25% to 98% of your income in taxes to the Federal Government, alone, and our sons are drafted to fight the battles of the world on the land, on the seas and in the skies. That was also before we had concluded that United States Senators, instead of being elected by the state legislatures to represent in Congress their respective states of the Union and act as checks on temporary majorities, should be elected by popular vote and fully responsive to such majorities.

To summarize my understanding of the American Way of Life, as it was written into the Constitution of the United States and as it existed for better than two-thirds of our national existence, the equality of man before God was the inspiration of our forefathers for making man equal before the law under the Constitution of the United States. They sought to guard that equality by an elaborate system of checks and balances as limitations and restrictions on the power of government. It was because all individuals had been endowed by their Creator with unalienable rights, including life, liberty and the pursuit of happiness, that our forefathers sought to provide that no earthly power could take such rights away from even the smallest of the people. As God had created each individual with personal and immortal destinies, our forefathers sought to provide that no man, no majority, and no government could treat or regard any American as a part of a class, collective, or otherwise than as an individual.

It was precisely because of this American Way of Life, the "Ark of our Covenant" both with God and with generations yet unborn, the basic tenet of our American Faith, that our country offered such dignity and freedom to the individual that it became the haven to millions seeking to participate, for themselves and their families, in the benefits of our form of government in preference to all other systems of government in the world, both of yesterday and of today. The vast majority of these immigrants in past years have been of great value to our system of government. They had experienced at first hand, under the governments from which they fled, that no combination of purely materialistic forces on earth could, or would protect the lives, liberties, and pursuits of happiness of their peoples, or compel by law that men and women should do unto others as they would that others do unto them. On the contrary, they had experienced the phenomenon that power corrupts, and that absolute power corrupts absolutely; that any combination of materialistic forces acting as a government results in fatal corruption of both the government and the citizen. They knew from experience that when God is not in government, the tyrant rules.

I remind you of the words of the great Washington in his farewell address—that great captain of history who led our forefathers to victory in the Revolutionary War, whose great character and leadership contributed more than any other individual to the formulation and adoption of the Constitution, and whose presidency for eight years guided the infant footsteps of our nation—as he warned those generations of Americans who were to come after him:

"Of all the dispositions and habits which lead to political prosperity, religion and morality are indispensable supports. Reason and experience both forbid us to expect that natural morality can prevail in exclusion of religious principles."

Along wth literally millions of Americans of 1892 and of today, I accept as verities the statements by President Washington and of the Supreme Court of the United States in the "Church of the Holy Trinity" case, verities established by the fact that this nation made such advances, both spiritually and materially, as no nation of peoples ever experienced in the history of this world — such advances as could not have been made absent Divine Guidance!

United Nations Organization

We come now to a consideration of the United Nations' organization. As is today generally known, this organization was sired at Yalta, in a conference attended by three men: Franklin D. Roosevelt, Joe Stalin and Winston Churchill and their flunkies, including one Mr. Alger Hiss. The organization charter was first unfolded to public scrutiny at San Francisco shortly thereafter, where our Secretary of State, Mr. Acheson so handled the parliamentary situation that no amendments were made and not one "i" was dotted nor one "t" crossed. This charter was adopted, after perfunctory debate, which some thought would be a Constitution for the world but which has been proven to be a license for unmeasured mutual villification by some representatives of the opposing factions, the two groups of nations with seemingly irreconcilable systems of government. **The American Way of Life may not be reconciled with either one.**

The Constitution of the United States, when it was proposed, was intended for theoretically independent sovereign states. The charter was likewise proposed and adopted for sovereign states. But the contrast is tremendous between the procedure followed in formulating and adopting our Constitution and previous to that, the Declaration of Independence, and the formulation and adoption of the Charter for the so-called United Nations. Every phrase and clause, even words proposed for incorporation in our Constitution were ably debated and redebated. Many were rejected and most were amended and changed. Even after the Constitution had been completed in Philadelphia, it was subjected to thorough study and debate in most of the conventions of the States which ratified it. A complete Bill of Individual Rights was added to this document as the results of the ratification debates, notably the debates in the Commonwealths of Virginia, Massachusetts and Pennsylvania.

Not so the charter of the United Nations. The three principal rulers of three principal nations met on the shores of the Black Sea in secret conclave. One of them was a very sick man. Another was the despotic ruler of the most totalitarian nation on earth and the other was the prime minister of a nation ruled by a legislature exercising unlimited power and which nation subsequently placed the socialist party in power with resulting nationalization of most of its principal industries and austerity for its people. A few finishing touches may have been added at Potsdam but as to what actually took place at these secret conclaves we do not know. Presumably the principal agreements were written into the Charter in our own State Department with Mr. Hiss acting as one of the draftsmen.

U.N. Not a Union of Nations

But, whatever else the organization may be, it is most certainly not a union of the nations of the world. The nations which are members are not acting in unity. The proof is that war is now raging in Korea and in Southeast Asia—aided and abetted and supplied in large part by Josef Stalin on the side of the communistic forces and by the United States on the side of the noncommunistic forces.

The emissaries of Josef Stalin, with their treacherous and heathenish practices, are in every noncommunistic nation of the world today.

They are busy stealing military and diplomatic secrets; stiring up trouble among racial and religious groups; and making traitors of citizens of such countries. No secret is made of the object and purpose of Josef Stalin and his politburo — it is to destroy all existing noncommunistic governments and establish in their stead governments by a class, the proletariat, subordinate to the men in the Kremlin. Those emissaries are in the United States, preaching the destruction of our government by force and violence; some are even in our government itself, though many have been driven from it. These emissaries have stolen military secrets from our government, even the most closely guarded, such as those pertaining to the atom bomb.

But these emissaries of the devil, and they are just that, do not hesitate to invoke the protection of individual liberties in our Constitution when we catch them in their nefarious acts.

The communistic concept of government is that of Karl Marx. He and the communists utterly and completely reject the conceptions of government as stated in our Declaration of Independence and in our Constitution. According to Marx and the communists the government is everything; man is as nothing. God does not exist. Religion is an opiate and a delusion. Listen to Marx, and I quote:

"The democratic concept of man is false because it is Christian. The democratic concept hold that each man is a sovereign being. This is the illusion, dream and postulate of Christianity."

A Godless, big government in which man is nothing is not peculiar to communism. It is common to all big governments, not founded on religion and morality. Adolph Hitler, the former head of the government of Christian Germany said:

"To the Christian doctrine of infinite significance of the individual human, I oppose with icy clarity the saving doctrine of the nothingness and insignificance of the human being."

Most European and all Asiatic governments in the days of both Marx and Hitler, and now, were and are big and powerful governments, not founded on principles of religion and morality and in none of them does the individual have any rights which such governments are bound to respect.

Possible Effects of U.N. on Our System of Government

I now come to the question as to what possible effects may we expect on our system of government by our membership in the United Nations organization and by the association of our hired servants, our "rulers" as some of them believe themselves to be, with the representatives of the other members of that organization. I think the only answer is contained in the one word, "Bad!"

The men of the Kremlin have recognized, and have proceeded on the principle, that our form of government, diluted as it is from the original concept prevailing until the 1930's, may have a bad effect on their peoples. The iron curtain has literally come down around the communistic countries and even our accredited diplomats are not permitted to travel beyond a limited circle around their posts of duty. The peoples of that country are not permitted to associate with our representatives. In view of the disclosures that have been made by investigating committees of our House and Senate; the trial and conviction of both aliens and some of our natives for actions in connection with communism; and the disclosures which have been made of the infiltration of reds into our moving picture industry, the editorial and reportorial staffs of many of our newspapers and magazines; in our government departments and establishments; in our military and naval services, at least among some civilian employees thereof, can we do less than place the same restrictions on agents of the Kremlin in the United States that they place around our people in Russia? I think not.

But aside from these dangers from communism, there are today far too many of our people in our midst who are antagonistic to the basic principles of our system of government and who insist upon practices and procedures which will complete the destruction of that government. If that be not true, then how shall we account for the following:

(1) The preparation by a committee of the United Nations, on which American representatives served, of a so-called genocide convention, now before the United States Senate for ratification, which would permit the trial of citizens of the United States for alleged crimes committed in America without the safeguards of our America Bill of Rights?

(2) The similar preparation of the so-called Covenant on Human Rights which is in direct conflict with our own constitutional rights to freedom of worship, freedom of speech, and freedom of peaceful assembly. They are now unlimited, in so far as our Constitution is concerned, but under the Covenant there would be such "limitations as are pursuant to law and are reasonable and necessary to protect public safety, order, health, or morals, or the fundamental rights and freedom of others." The judges of these limitations, both as to time and extent, will be, of course, government bureaucrats. Also, this Covenant is a blueprint for communism.

Either one or both of these Covenants, if they should be ratified by the United States Senate, might destroy the rights of American citizens which the Declaration of Independence has stated to be an endowment of our Creator and in which we Americans firmly believe—even though it may seem that at times we are bent on destroying them.

We now have abroad in this land those who insist that a treaty ratified by the Senate may even change the Constitution of the United States — a doctrine I utterly reject but the fact that the doctrine exists is evidence of the danger confronting this nation from the exercise of the treaty making power.

(3) It is a fact, though, that under other forms of government, so-called "democratic" governments, a treaty may be entered into and become binding without the approval of the legislative bodies of those governments. We have recently resorted to executive agreements of the utmost importance to our nation; these executive agreements have not been submitted to the Senate for ratification; and it is claimed by high authority that they do not have to be ratified by the Senate.

(4) In most, if not all, other governments, particularly in the totalitarian ones, their nations may be committed to war without any action being taken by the legislative bodies of such governments to declare war. The executive authority of such nations take the nations into war, even as did Hitler in World War II. Our troops were committed to battle in Korea, upon the executive fiat of the President of the United States, in the same manner without Congress declaring war. It has been claimed that the Korean struggle is not a war at all but a police action—in which we have had to date over 100,000 casualties, our costs have been several billions of dollars, and the end is not yet.

The Senate approved the Charter of the United Nations for the United States, ostentatiously flown to Washington in a great fanfare of publicity. Opponents of that Charter could not be heard, and written protests were not even acknowledged. However, that same Senate has thus far refused to ratify conventions drafted by committees of the United Nations, though there have been no resounding objections which would result in a Senate disapproval of the Conventions. There have been no resolutions of the Senate or of the Congress condemning and rejecting any possible liabilities under any so-called executive agreements, whether at Yalta, Potsdam or elsewhere which were not placed before the Senate for ratification and while there have been severe criticisms of the President for ordering the troops into battle in Korea without a congressional declaration of war, Congress has taken no affirmative action with respect thereto. On the contrary, it has authorized troops and money for the prosecution of that "police action."

(5) Arbitrary exercise of power grows by what it feeds upon: Less than a week ago, after this address has been prepared, President Truman seized and commenced the government operation of all steel mills in the United States which had not entered into a contract or contracts with the CIO Steel Workers' Union. He, the President, has registered an oath in high Heaven

to protect and defend the Constitution of the United States. There is not a single word in the Constitution which authorizes him to exercise such power to seize the steel mills. In fact, I am not alone in my belief that the seizure was in violation of the Constitution the President had sworn to protect and defend. Commenting editorially on this seizure one of the Washington newspapers ordinarily friendly to the President has stated that:

"If pretense is laid aside, it must be admitted that in this instance the President exercised the prerogatives of a dictator. If he can seize the steel industry, without any law on the books for that purpose, in order to impose on it the recommendations of a governmental board, he can likewise seize other industries and labor unions. Reckless use of such power could quickly destroy our constitutional system and lead us into some form of authoritarianism. Indeed, the very concept that the President has authority 'to do whatever is required'—to use Mr. Truman's own words—is totalitarian in nature. We must remember that this idea of an all powerful national leader in the White House is asserted at a time when we are not in a war declared by Congress.

"In marshaling our strength to cope with aggression abroad there is no excuse for slipping into one-man government at home. By seeking an easy way out of its dilemma, the administration has done far more damage to the cause of freedom and representative government then even a strike would have done."

Such seizure and exercise of power by any official of the United States should be condemned in no uncertain terms and should forfeit all claims to public esteem.

Departures From Our Conception of Government

In addition to the foregoing, we have followed the example of governments in the old world in a great number of instances urged by segments of the population of the United States and approved by the Congress, either expressly, impliedly, or by failure to do anything about it. These departures from the original conception of our government commenced at least 20 years ago. Among others, they are:

(1) The entire credit structure of our nation now rests very largely upon administrative decisions and regulations. More than half of all private homes are being built under guarantees of the United States Government, which means the collective guarantees of all the people, including those who have saved and worked to build and pay for their own homes.

(2) Approximately 15 million people of our nation, who with their families and dependents represent roughly one-third of the population, are now in receipt of government checks in one form or another.

(3) Until the adoption of the 16th Amendment, or income tax amendment in 1913, we had no income tax whatever, except for a short period during the War between the States and we had a comparatively small but manageable governmental organization. We now have such income tax rates as to be practically confiscatory of the high incomes and so high on modest incomes that the earners are in fact working from two to six days a month for the Federal Government in addition to paying many hidden, or excise taxes and paying both State and local taxes. These taxes have long since passed the point of diminishing returns and we have had a demand upon the present Congress for a further increase in taxes by some 7 to 10 billion, not million, of dollars. Not content with such taxes on the living, huge taxes are imposed on the estates of those who die from time to time and leave any appreciable amount of property.

Whether designedly or not, the Marxian philosophy of high progressive income taxes and confiscatory estate taxes has been adopted by our government and such taxes are having the effect Marx predicted of destroying private enterprise for lack of capital to keep it going. The substitute—the RFC, mink coats and influence peddlers!

In a last desperate effort to regain some of the power transferred to our government by the 16th Amendment, 25 States of this Union have adopted resolutions demanding that Congress perform its constitutional duty in calling a convention to amend the Constitution by eliminating the 16th Amendment and substituting another which will place a ceiling on income taxes and entirely eliminate estate taxes by the Federal Government.

(4) Spending by the United States Government has increased to such an extent during the past six years that the total expended in this short period is but little less than all of the money spent by our national government during its previous history back to, and including, the Administration of President Washington. Our elected representatives have gone on the greatest spending binge in the history of mankind; they have taken your and my earnings in the form of taxes and have not only used the tax money but they have borrowed vast sums on the credit of generations yet unborn to take the more abundant life to the peoples of the world, under various and sundry guises but generally under the guise that by so doing we would contain communism and prevent it from engulfing the rest of the world.

Increase in Federal Spending

The following fact may startle you, and is intended to do so: In 1938, Federal spending was equal in amount to the entire incomes of all individuals in the 11 Pacific and Rocky Mountain States and the estimated expenditures for that same government for 1952, four years later, equal the total estimated income of the people of all the 22 States west of the Mississippi River, as well as all of the State of Alabama and one-half of the State of Mississippi but in 1929, before the advent of the welfare state in its present proportions, the total expenditures of the Federal Government were less than two-thirds of the income of the People of California alone. The growth in Federal spending is not only stupendous since 1929, but it is frightening to all sensible people. Unless drastically reduced it means the destruction of our solvency—both as a Nation and as individuals.

(5) By the tremendous increase in debt and multiplication of credit, the value of the American dollar, which means the value of your savings, your insurance, your fixed income has been depreciated by 50 to 60% or more, or by the stupendous total of 116 billion dollars. Much of that not taken in taxes has disappeared in the depreciation of the value of our money and wherever that has happened in past history, the middle class has been wiped out entirely and the poor are made poorer. Do not take my word for it; look at socialist England and communist Russia of today and Hitler Germany of yesterday, to mention but a few recent examples.

(6) The bureaucracies of our government, Federal, State, and local have so increased that today there are more civilian employees in these governments, each being paid from tax funds or by borrowings, than there are soldiers in our Army, Navy and Marine Corps. The welfare state has grown to such proportions that it bids fair to engulf all principal governmental activities and center them here in Washington, D. C. A continuation of the welfare state will inevitably lead to an even greater concentration of power in Washington; an even greater increase in government bureaucracy, and an even greater loss of liberty.

(7) Approximately 20% of all electric power in this country is being generated by the United States Government and sold in competition with privately generated power—which must, in the form of taxes, bear a part of the cost of government generation of power. Plans are being advocated which will more than double the present capacity of Federally generated electric power. We build dams on the publicly represented basis that they are necessary to control floods; then we place more land permanently under water than the floods ever did even temporarily; and we construct power generating plants to utilize the water behind the dams; and finally, the taxpayers are required to carry the burden of constructing and operating steam generation plants to supplement the hydroelectric power.

(8) We impose direct taxes on both the employee and the employer to the extent of 3% of the monthly payroll. The money is paid into the treasury as a Social Security tax; then we spend the money for the general purposes of the United States and place a due bill in the Treasury for the money. What do you suppose will happen when the people employee and employer alike, are called upon to bear yet higher taxes to pay the Social Security for which there are no social security funds? The answer is found in Germany which had a social security system from the time of Bismark to the surrender of Germany in 1945. Shades of our ancestors: who sought and found here an opportunity, a place in the sun, and did not seek to have their government support them!

(9) The level of farm commodity prices are determined or influenced by appropriations from the United States Treasury—exports of industry are largely financed by such appropriations—all scarce imported metals and rubber are stockpiled and under the control of the Federal government—all silver production is being purchased by the United States Government—that government is steadily increasing its holdings of land either by private purchase or condemnation — and Federal appropriations are subsidizing innumerable state projects.

Numerous other instances, practices and trends could be cited if my time permitted, wherein the government of our forefathers has reverted to practices and burdens of the systems of big governments in the old world, which incidentally continue to exist there and from which our forefathers fled to this country. However, I have cited enough to demonstrate to you that we have here today and now a government by regimentation and control, a government of exceedingly burdensome and confiscatory taxation, not vastly different from the regimentations and control which plagued mankind for more than 17 centuries. In fact, we have attempted and are even now attempting by use of Federal power the regimentation and control over wages and prices, notwithstanding we know full well that some 4,000 years ago the Kingdom of Babylonia prescribed in the Code of Hammurabi a rigid system of price controls which not only failed but completely smothered the nation. We also know that in the 4th Century B.C., Athens, Greece, attempted to regulate trade in grain and decreed death to both trader and government inspector who violated the regulation. That, too, failed — probably because of a dearth of traders and inspectors after numerous executions. We know that the Edict of Diocletian in 301 A.D. was such a disastrous attempt to fix prices and wages that it impoverished the Roman empire. In England today they have price and wage fixing and they also have "austerity," having completely ignored a five century similar attempt in that country, commencing in the 12th century. After five centuries of failure, Parliament finally repealed the law because such action was necessary "in the interest of public welfare." Even as early as 1788 in this country, the Continental Congress adopted a formal resolution wherein it was stated:

"It hath been found by experience that limitation in the price of commodities is not only ineffective for the purpose proposed, but likewise productive of very evil consequences, to the great detriment of the public service and grievious oppreasion of individuals."

Unquestionably in the last 20 years the people of this country have been busily engaged in removing the landmarks our fathers set for us; with the unlimited taxation of incomes and estates made possible by the unlimited income tax amendment, adopted in 1913, and with the subservience of the Senate to pressure groups made possible by the direct election of these officers instead of election by the state legislatures; we have raised high the watergate in the dam against big government in America and the subservience of the people to that government which had been the uniform lot of the peoples of the world until we established the American Way of Life. No careful student of government would be truthful with you if he did not tell you that the American Way of Life has been greatly restricted and circumscribed since the 1930's. The process bids fair to completely subvert our government to the ways of the old world governments and that soon.

Should Centralization Continue?

Are we going to permit to continue this centralization of all government power in the hands of officialdom in Washington? That, of course, is the easy way, it is the course of least resistance, and to some, to those temporarily on the receiving end, it is temporarily most pleasant. But it has been the history of all governments, past and present, that in the end there is loss of liberty, austerity in living, struggles among classes, and finally governmental chaos. We are even here beginning to experience these things, the exceedingly high taxes paid on March 15 of this year, which, by the way, were in addition to the hundreds of hidden taxes you pay every day of the year, are but the beginning. We are having class struggles in America — labor arrayed against capital, the poor against the rich, and there are racial and other similar struggles going on. Some racial and economic groups are voting as blocks and politicians are making bids for these blocks of votes. Prophetic, indeed, is that commencement address delivered in 1923 here in this City by the late Glenn Frank when he declared that the world was then on the brink of a new Dark Age!

In my humble judgment, the members of the Daughters of the American Revolution, if they would but do so, can place in motion the forces which are able to sweep the "money changers from the temple" of our faith! America needs, and must have a new birth of freedom if our Country is to escape totalitarianism and final destruction. You have in your veins the blood of ancestors who visioned, established, and protected in its infancy our government under which the untrammeled American Way of Life thrived for a century or more. That is a very short period in the life of nations and much shorter in the life of mankind. But we do not have to experiment, as did our forefathers. We know that such a way of life is possible and that it can bring such happiness to individuals as no other system of government has ever done. Then, I ask you why do we hesitate? Why do we permit the continued adoption and existence of practices and procedures which have to a large extent already destroyed much of the American Way of Life and bid fair to destroy the remainder?

"Eternal vigilance is the price of liberty," and these are no idle words. The necessity for religious principles and morality in our government is likewise no idle phrase. We are on the eve of a great assize — at which we shall elect a President and Vice-President, one-third of the members of the United States Senate, and all of the members of the House of Representatives. We shall also elect numerous Governors and legislatures in the respective States. Every American must agree, if he is honest with his own best interests, to say nothing of being faithful to the faith of his forefathers, that our God and our Country must take precedence over any person, political party or hope of personal gain. The fight for return of the people to the American Way of Life, to regain the parts thereof that have already been lost, is now underway in the United States. Once again we have a struggle between Tories and Patriots — between those who are heart and sole for the American Way of Life and those who prefer the totalitarianism of a godless government which has been the curse of mankind. The choice should not be difficult for the Daughters of the American Revolution; the many thousands of its members throughout this land could be responsible for the votes of at least 10 million Americans —more than enough to decide the struggle now underway.

If you and I and every other patriotic American Citizen will follow Washington at Valley Forge and Abraham Lincoln in the White House to their knees and seek the strength, courage and assistance of our God who has smiled on this, His Government, and if we then will go among our fellow citizens, teaching and encouraging them, the result will be such a return to religion and morality in America that it has not known since the two greatest crises which have faced us—the days at Valley Forge when all seemed lost in the Revolutionary War and in the War Between the States. Then having won the victory in November, 1952, that none but Americans be placed on guard, we must be ever alive that the victory is secured and translated into unselfish benefit to Protestant and Catholic, Jew and Gentile, white and black—not because they belong to some block of voters but despite that fact and because they are American citizens, entitled alike to share equally the benefits and the burdens of a government by the people, for the people, and of the people.

If you will do this from now until after the November elections, you will return here next April—at least as happy as those who heard the pealings of the Liberty Bell atop Independence Hall nearly two centuries ago. Also, you will assist in saving our system of government—which is, as Lincoln said, "the last best hope on earth."

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	June 22	12.3	12.2	102.7	102.8
Equivalent to—					
Steel ingots and castings (net tons)	June 22	255,000	254,000	2,134,000	2,055,000
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output—daily average (bbls. of 42 gallons each)	June 7	6,080,700	‡		6,168,350
Crude runs to stills—daily average (bbls.)	June 7	¶6,598,000	5,573,000	NOT	6,478,000
Gasoline output (bbls.)	June 7	21,716,000	17,751,000		21,227,000
Kerosene output (bbls.)	June 7	2,206,000	1,812,000	AVAILABLE	2,320,000
Distillate fuel oil output (bbls.)	June 7	9,606,000	7,578,000		8,678,000
Residual fuel oil output (bbls.)	June 7	8,355,000	7,851,000	DUE TO	8,921,000
Stocks at refineries, bulk terminals, in transit, in pipe lines—					
Finished and unfinished gasoline (bbls.) at	June 7	123,456,000	*122,161,000	OIL	138,736,000
Kerosene (bbls.) at	June 7	20,382,000	19,050,000		23,725,000
Distillate fuel oil (bbls.) at	June 7	53,668,000	50,966,000	STRIKE	61,476,000
Residual fuel oil (bbls.) at	June 7	39,088,000	38,523,000		39,765,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	June 7	684,243	697,026	719,793	813,326
Revenue freight received from connections (no. of cars)	June 7	591,412	615,824	623,634	655,639
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	June 12	$243,893,000	$225,917,000	$284,683,000	$206,897,000
Private construction	June 12	117,405,000	106,855,000	165,538,000	86,320,000
Public construction	June 12	126,488,000	119,062,000	119,145,000	120,577,000
State and municipal	June 12	70,671,000	99,733,000	80,117,000	77,783,000
Federal	June 12	55,817,000	19,329,000	39,028,000	42,794,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	June 7	7,500,000	*8,395,000	8,025,000	9,766,000
Pennsylvania anthracite (tons)	June 7	739,000	711,000	721,000	789,000
Beehive coke (tons)	June 7	43,100	*95,600	88,000	141,600
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1947-49 AVERAGE = 100	June 7	110	*97	117	108
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	June 14	7,126,404	7,005,066	7,110,393	6,746,691
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET, INC.	June 12	175	120	154	130
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	June 10	4.131c	4.131c	4.131c	4.131c
Pig iron (per gross ton)	June 10	$52.77	$52.77	$52.77	$52.69
Scrap steel (per gross ton)	June 10	$42.00	$42.00	$42.00	$43.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	June 11	24.200c	24.200c	24.200c	24.200c
Export refinery at	June 11	34.500c	31.925c	27.425c	27.250c
Straits tin (New York) at	June 11	121.500c	121.500c	121.500c	123.000c
Lead (New York) at	June 11	15.000c	15.000c	17.000c	17.000c
Lead (St. Louis) at	June 11	14.800c	14.800c	16.800c	16.800c
Zinc (East St. Louis) at	June 11	16.000c	17.500c	19.500c	17.500c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	June 17	98.51	98.35	99.09	97.35
Average corporate	June 17	109.97	109.97	110.34	110.34
Aaa	June 17	114.46	114.27	114.66	114.27
Aa	June 17	112.75	112.75	112.93	113.50
A	June 17	109.42	109.42	109.60	109.42
Baa	June 17	103.97	104.14	104.31	104.31
Railroad Group	June 17	107.27	107.27	107.44	106.92
Public Utilities Group	June 17	109.60	109.60	109.60	110.15
Industrials Group	June 17	113.31	113.50	113.70	113.89
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	June 17	2.60	2.61	2.56	2.68
Average corporate	June 17	3.17	3.17	3.15	3.15
Aaa	June 17	2.93	2.94	2.92	2.94
Aa	June 17	3.02	3.02	3.01	2.98
A	June 17	3.20	3.20	3.19	3.20
Baa	June 17	3.51	3.50	3.49	3.49
Railroad Group	June 17	3.32	3.32	3.31	3.34
Public Utilities Group	June 17	3.19	3.19	3.19	3.16
Industrials Group	June 17	2.99	2.98	2.97	2.96
MOODY'S COMMODITY INDEX	June 17	432.2	433.5	437.9	493.6
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	June 7	244,912	200,761	204,041	283,122
Production (tons)	June 7	185,107	188,938	206,350	244,690
Percentage of activity	June 7	75	79	81	102
Unfilled orders (tons) at end of period	June 7	412,083	374,989	412,863	696,726
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE = 100	June 13	139.0	140.0	139.4	151.6
STOCK TRANSACTIONS FOR ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	May 31	18,915	25,196	27,989	20,988
Number of shares	May 31	514,350	699,578	802,482	600,390
Dollar value	May 31	$23,875,189	$32,751,152	$35,834,718	$28,163,536
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	May 31	15,897	22,119	23,109	16,655
Customers' short sales	May 31	72	99	198	285
Customers' other sales	May 31	15,825	22,020	22,911	16,376
Number of shares—Total sales	May 31	424,334	595,457	660,310	455,974
Customers' short sales	May 31	2,605	3,493	7,792	11,233
Customers' other sales	May 31	421,729	591,964	652,518	444,741
Dollar value	May 31	$17,566,739	$24,761,429	$27,739,245	$19,409,644
Round-lot sales by dealers—					
Number of shares—Total sales	May 31	126,740	164,050	198,920	113,630
Short sales	May 31	------	------	------	------
Other sales	May 31	126,740	164,050	198,920	113,630
Round-lot purchases by dealers—					
Number of shares	May 31	211,510	279,840	310,790	272,640
TOTAL ROUND-LOT STOCK SALES ON THE NEW YORK EXCHANGE AND ROUND-LOT STOCK TRANSACTIONS FOR ACCOUNT OF MEMBERS (SHARES):					
Total Round-lot sales—					
Short sales	May 24	217,330	180,610	282,540	293,760
Other sales	May 24	6,302,280	6,668,120	6,949,140	4,750,240
Total sales	May 24	6,519,610	5,848,730	7,231,680	5,044,000
ROUND-LOT TRANSACTIONS FOR ACCOUNT OF MEMBERS, EXCEPT ODD-LOT DEALERS AND SPECIALISTS					
Transactions of specialists in stocks in which registered—					
Total purchases	May 24	613,240	487,710	774,990	478,940
Short sales	May 24	104,570	100,680	146,230	140,210
Other sales	May 24	505,970	396,710	632,040	376,380
Total sales	May 24	610,540	497,390	778,270	516,590.
Other transactions initiated on the floor—					
Total purchases	May 24	129,370	72,850	219,600	114,830
Short sales	May 24	8,750	3,400	16,100	22,700
Other sales	May 24	174,060	118,900	195,780	135,000
Total sales	May 24	182,810	122,300	211,880	157,700
Other transactions initiated off the floor—					
Total purchases	May 24	223,050	180,410	289,833	195,270
Short sales	May 24	60,820	37,000	36,600	40,000
Other sales	May 24	286,506	275,844	353,495	199,465
Total sales	May 24	347,326	312,844	390,095	239,465
Total round-lot transactions for account of members—					
Total purchases	May 24	965,660	740,970	1,284,423	789,040
Short sales	May 24	174,140	141,080	198,930	202,910
Other sales	May 24	966,536	791,454	1,181,315	710,845
Total sales	May 24	1,140,676	932,534	1,380,245	913,755
WHOLESALE PRICES, NEW SERIES — U. S. DEPT. OF LABOR—(1947-49 = 100):					
Commodity Group—					
All commodities	June 10	111.7	*111.5	111.6	------
Farm products	June 10	111.0	*109.7	108.3	------
Processed foods	June 10	109.3	*109.2	108.7	------
Meats	June 10	115.5	115.5	114.2	------
All commodities other than farm and foods	June 10	112.4	*112.4	112.9	------

*Revised. ‡Figures not availale. ¶Includes 623,000 barrels of foreign crude runs.

	Month Latest	Month Previous	Ago Year
BUILDING CONSTRUCTION—U. S. DEPT. OF LABOR — Month of May (in millions):			
Total new construction	$2,749	$2,529	$2,647
Private construction	1,802	1,687	1,837
Residential building (nonfarm)	913	846	918
New dwelling units	810	750	821
Additions and alterations	90	84	81
Nonhousekeeping	13	12	16
Nonresidential building (nonfarm)	392	386	440
Industrial	188	194	164
Commercial	82	73	131
Warehouses, office and loft buildings	34	33	48
Stores, restaurants, and garages	48	40	83
Other nonresidential building	122	119	145
Religious	23	28	33
Educational	27	26	27
Social and recreational	9	9	15
Hospital and institutional	33	33	37
Miscellaneous	24	23	28
Farm construction	157	136	166
Public utilities	333	313	309
Railroad	33	32	33
Telephone and telegraph	46	45	41
Other public utilities	254	236	235
All other private	7	6	4
Public construction	947	842	810
Residential building	55	57	45
Nonresidential building	338	322	303
Industrial	135	122	78
Educational	132	131	128
Hospital and institutional	41	40	48
Other nonresidential building	30	29	49
Military and naval facilities	152	138	66
Highways	240	175	225
Sewer and water	60	56	65
Miscellaneous public-service enterprises	17	14	22
Conservation and development	79	74	76
All other public	6	6	8
COAL OUTPUT (BUREAU OF MINES)—Month of April:			
Bituminous coal and lignite (net tons)	39,095,000	41,100,000	41,972,000
Pennsylvania anthracite (net tons)	3,123,000	*2,959,000	2,602,000
Beehive coke (net tons)	420,000	*559,200	560,500
COKE (BUREAU OF MINES)—Month of April:			
Production (net tons)	5,809,451	*6,779,639	6,471,316
Oven coke (net tons)	5,373,630	6,204,011	5,910,775
Beehive coke (net tons)	435,821	*575,628	560,541
Oven coke stocks at end of month (net tons)	1,872,764	1,831,975	1,410,222
COTTON SEED AND COTTON SEED PRODUCTS—DEPT. OF COMMERCE—Month of April:			
Cotton Seed—			
Received at mills (tons)	22,325	55,150	15,275
Crushed (tons)	305,597	432,902	163,732
Stocks (tons) Feb. 29	518,480	801,752	244,048
Crude Oil—			
Stocks (pounds) Feb. 29	131,709,000	162,209,000	48,528,000
Produced (pounds)	106,633,000	143,727,000	54,719,000
Shipped (pounds)	134,840,000	149,443,000	71,394,000
Refined Oil—			
Stocks (pounds) Feb. 29	432,135,000	413,893,000	231,652,000
Produced (pounds)	125,723,000	136,955,000	65,744,000
Consumption (pounds)	106,108,000	107,399,000	62,876,000
Cake and Meal—			
Stocks (tons) Feb. 29	46,396	47,336	105,949
Produced (tons)	146,191	201,182	74,216
Shipped (tons)	147,131	210,022	98,984
Hulls—			
Stocks (tons) Feb. 29	28,820	36,325	40,159
Produced (tons)	70,456	99,626	35,975
Shipped (tons)	77,961	108,251	50,226
Linters (running bales)—			
Stocks Feb. 29	233,682	256,261	52,957
Produced	99,405	140,036	51,970
Shipped	121,984	121,696	60,564
Hull Fiber (1,000-lb. bales)—			
Stocks Feb. 29	1,100	1,224	182
Produced	242	851	a__
Shipped	366	1,098	a__
Motes, Grabbots, etc. (1,000 pounds)—			
Stocks Feb. 29	7,552	8,579	4,764
Produced	2,022	2,808	1,028
Shipped	3,049	2,490	1,359
COTTON SPINNING (DEPT. OF COMMERCE):			
Spinning spindles in place on May 3	23,163,000	------	23,127,000
Spinning spindles active on May 3	19,613,000	------	19,903,000
Active spindle hours, (000's omitted) May	9,948,000	------	11,693,000
Active spindle hrs. per spindle in place May	424.3	------	504.6
FREIGHT CAR OUTPUT—DOMESTIC (AMERICAN RAILWAY CAR INSTITUTE)—Month of May:			
Deliveries (number of cars)	6,857	7,403	9,774
Backlog of orders at end of month (number of cars)	103,910	108,270	150,628
MOODY'S WEIGHTED AVERAGE YIELD OF 200 COMMON STOCKS—Month of May:			
Industrial (125)	5.73	5.87	6.55
Railroad (25)	5.87	6.05	6.44
‡Utilities (24)	5.53	5.62	5.85
Banks (15)	4.57	4.58	4.77
Insurance (10)	3.30	3.41	3.49
Average (200)	5.65	5.77	6.35
NEW CAPITAL ISSUES IN GREAT BRITAIN—MIDLAND BANK, LTD.—Month of May	£19,773,000	£157,743,000	£11,070,000
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000's omitted):			
As of May 31	$259,950,674	$258,336,729	$255,122,431
General fund balance	5,421,244	5,393,398	5,782,277
Net debt	$254,529,430	$252,943,331	$249,340,154
Computed annual rate	2.310%	2.309%	2.247%
U. S. GOVT. STATUTORY DEBT LIMITATION As of May 31 (000's omitted):			
Total face amount that may be outstanding at any time	$275,000,000	$275,000,000	$275,000,000
Outstanding—			
Total gross public debt	259,905,345	258,292,339	255,093,096
Guaranteed obligations not owned by the Treasury	45,328	44,389	29,335
Total gross public debt and guaranteed obligations	$259,950,674	$258,336,729	$255,122,431
Deduct—other outstanding public debt obligations not subject to debt limitation	645,819	647,852	686,955
Grand total outstanding	$259,304,854	$257,683,877	$254,435,475
Balance face amount of obligations, issuable under above authority	15,695,145	17,311,122	20,564,524

a Not shown to avoid disclosure of individual operations. ‡Not including Amer. Tel. & Tel.

Securities Now in Registration

★ INDICATES ADDITIONS SINCE PREVIOUS ISSUE
• ITEMS REVISED

Admiral Corp., Chicago, Ill.
June 2 filed 41,669 shares of capital stock (par $1) to be offered in exchange for common stock of Canadian Admiral Corp., Ltd., at rate of one share of Admiral stock for each two shares of Canadian Admiral stock held. **Dealer-Manager**—Dempsey & Co., Chicago, Ill.

Aegis Casualty Insurance Co., Denver, Colo.
June 4 (letter of notification) 75,000 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—To expand insurance business. **Office**—Suite 702, E. & C. Building, 930 17th Street, Denver 2, Colo. **Underwriter**—Aegis Corp., Denver, Colo.

★ **Airborne Utility Cars, Inc., Seattle, Wash.**
June 4 (letter of notification) 647 shares of common stock. **Price**—$100 per share. **Proceeds**—To build flying model of company's "Air/Car." **Office** — 835 Central Bldg., Seattle, Wash. **Underwriter**—None, but E. C. LaQoque, President, will handle sales.

★ **Alaska Plywood Corp., Juneau, Alaska**
June 2 (letter of notification) 120 shares of preferred stock. **Price**—At par ($2,500 per share). **Proceeds**—To build plywood plant. **Address**—P. O. Box 110, Juneau, Alaska. **Underwriter**—None.

• **Allen (R. C.) Business Machines, Inc. (6/26)**
June 6 filed 144,000 shares of common stock (par $1). **Price**—$11 per share. **Proceeds** — To Ralph C. Allen, President, the selling stockholder. **Office**—Grand Rapids, Mich. **Underwriters** — A. C. Allyn & Co., Inc., and Shillinglaw, Bolger & Co., both of Chicago, Ill.

Ameranium Mines, Ltd., Toronto, Canada
May 28 filed 2,079,871 shares of capital stock (par $1), of which 908,845 shares are to be offered to public by company, 108,847 shares by underwriter and 666,171 shares to be reoffered under rescission offer. **Price**—70 cents per share. **Proceeds**—For prospecting, drilling expenses, etc. **Underwriter**—I. Nelson Dennis & Co., Toronto, Canada.

American Gas & Electric Co.
May 21 filed $20,000,000 of sinking fund debentures due 1977, and 170,000 shares of common stock (par $10). **Proceeds**—To be invested in common stocks of Appalachian Electric Power Co. and Ohio Power Co. and to repay bank loans. **Underwriters**—Debentures awarded on June 18 to Halsey, Stuart & Co. Inc., and stock to The First Boston Corp. **Price**—Reoffering of debentures planned at 100¾% and of stock at $60.25 per share. Statement effective June 9.

• **American Investment Co. of Illinois (6/24)**
May 16 filed 100,000 shares of cumulative prior preferred stock (par $100) later reduced to 50,000 shares by amendment. **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for general corporate purposes. **Underwriters**—Kidder, Peabody & Co., New York, and Alex. Brown & Sons, Baltimore, Md. **Offering**—Expected week of June 16.

• **American Telephone & Telegraph Co. (6/26)**
May 22 filed between $490,000,000 and $510,000,000 of 12-year 3½% convertible debentures, due July 31, 1964 (convertible through July 31, 1962, into common stock beginning Sept. 30, 1952, at $136 per share, payable by surrender of $100 of debentures and $36 in cash), to be offered for subscription by stockholders of record June 16 at rate of $100 of debentures for each seven shares held; rights to expire July 31, 1952. Rights will be mailed on or about June 26. **Price**—At par. **Proceeds**—For advances to subsidiary and associated companies. **Underwriter**—None. Statement effective June 9.

• **American Telephone & Telegraph Co.**
May 26 filed 3,000,000 shares of common stock (par $100) to be offered pursuant to "Employees' Stock Plan" to employees of company and related companies. **Price**—$20 below average market price for month in which payment is completed or next succeeding month (whichever is lower). **Proceeds** — For property additions and improvements and other corporate purposes. **Underwriter**—None. Statement effective June 10.

★ **Ampal-American Palestine Trading Corp., N. Y.**
June 16 filed $5,000,000 of 15-year 4% sinking fund debentures due 1967 and $497,000 of 15-year 4% sinking fund debentures due 1966. **Price**—Expected at par. **Proceeds**—to purchase equipment and machinery. **Business**—Development of agriculture and commerce in Israel. **Underwriter**—None.

NEW ISSUE CALENDAR

June 19, 1952

Missouri Pacific RR. — **Equip. Trust Ctfs.**
(Bids noon CDT)

June 23, 1952

Boston Edison Co. — **Bonds**
(Bids noon EDT)

Central Louisiana Electric Co., Inc. — **Bonds**
(Bids 11 a.m. EDT)

Public Service Co. of New Hampshire — **Preferred**
(Bids 11 a.m. EDT)

Pyramid Oil & Gas Corp. — **Common**
(Willis E. Burnside & Co., Inc.)

Sterling Finance Corp. — **Debentures**
(Walt Clyde)

Texas Eastern Transmission Corp. — **Preferred**
(Dillon, Read & Co., Inc.)

June 24, 1952

American Investment Co. of Illinois — **Preferred**
(Kidder, Peabody & Co. and Alex. Brown & Sons)

Gulf Power Co. — **Bonds**
(Bids 11 a.m. EDT)

Public Service Co. of Indiana, Inc. — **Bonds**
(Bids 11 a.m. CDT)

Safeway Stores, Inc. — **Preferred**
(Merrill Lynch, Pierce, Fenner & Beane)

Southern New England Telephone Co. — **Debentures**
(Bids 11 a.m. EDT)

June 25, 1952

Associated Telephone Co., Ltd. — **Preferred**
(Paine, Webber, Jackson & Curtis; Stone & Webster Securities Corp.; Mitchum, Tully & Co.)

California Water Service Co. — **Common**
(Dean Witter & Co.)

Empire District Electric Co. — **Common**
(The First Boston Corp. and G. H. Walker & Co.)

Martin (Glenn L.) Co. — **Common**
(Offering to stockholders)

Midwest Pipe & Supply Co., Inc. — **Common**
(G. H. Walker & Co.)

New England Power Co. — **Bonds**
(Bids noon EDT)

Smith (S. Morgan) Co., Inc., York, Pa. — **Common**
(The First Boston Corp.)

West Virginia Production Co. — **Preferred**
(Allen & Co. and Shea & Co., Inc.)

June 26, 1952

Allen (R. C.) Business Machines, Inc. — **Common**
(A. C. Allyn & Co. and Shillinglaw, Bolger & Co.)

American Telephone & Telegraph Co. — **Debentures**
(Offering to stockholders)

Blockson Chemical Co. — **Common**
(Goldman, Sachs & Co.)

Virginian Ry. — **Equip. Trust Ctfs.**
(Bids to be received at noon EDT)

July 1, 1952

Florida Power Corp. — **Common**
(Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane)

General Public Utilities Corp. — **Common**
(Offering to stockholders)

South Jersey Gas Co. — **Common**
(Bids to be invited)

July 2, 1952

Illinois Terminal RR. — **Equip. Trust Ctfs.**
(Bids noon CDT)

McCarthy (Glenn), Inc. — **Common**
(B. V. Christie & Co.)

Washington Gas Light Co. — **Common**
(The First Boston Corp. and Johnston, Lemon & Co.)

July 3, 1952

Metals & Chemicals Corp. — **Common**
(Beer & Co.)

July 7, 1952

Bailey Selburn Oil & Gas Co., Ltd. — **Common**
(Reynolds & Co. and McLeod, Young, Weir, Inc.)

Staley (A. E.) Manufacturing Co. — **Debentures**
(Smith, Barney & Co. and The First Boston Corp.)

July 8, 1952

Canada General Fund, Inc. — **Common**
(Bache & Co. and Paine, Webber, Jackson & Curtis)

Georgia Power Co. — **Bonds**
(Bids 11 a.m. EDT)

July 15, 1952

Commonwealth Edison Co., Chicago, Ill. — **Bonds**
(Bids to be invited)

Deere & Co. — **Debs. & Common**
(Harriman Ripley & Co., Inc.)

August 5, 1952

Pennsylvania Electric Co. — **Bonds & Preferred**
(Bids to be invited)

Andowan Mines, Ltd., Port Arthur, Ont., Canada
May 8 filed 500,000 shares of common stock (par $1). **Price**—38 cents per share. **Proceeds**—For exploratory drilling and improvement on present holdings. **Underwriter**—Frank P. Hunt & Co., Inc., Rochester, N. Y.

★ **Arizona Fish Farms, Inc., Blythe, Calif.**
June 9 (letter of notification) 800 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—For a general improvement program. **Address**—P. O. Box 653, Blythe, Calif. **Underwriter**—Franklin Kennec, Blythe, California.

• **Associated Telephone Co., Ltd. (Calif.) (6/25)**
June 4 filed 350,000 shares of 5% cumulative preferred stock, 1947 series (par $20). **Price**—To be supplied by amendment. **Proceeds** — To repay bank loans and for new construction. **Underwriters**—Paine, Webber, Jackson & Curtis; Stone & Webster Securities Corp. and Mitchum, Tully & Co.

Babbitt (B. T.), Inc.
May 9 (letter of notification) 9,670 shares of common stock (par $1). **Price**—At market (about $7.12½ per share). **Proceeds**—To Elizabeth M. Blatner, the selling stockholder. **Underwriter**—None, but Bache & Co., New York, will act as broker.

★ **Bailey Selburn Oil & Gas Ltd. (7/7-8-9)**
June 13 filed 1,000,000 shares of class A stock (par $1-Canadian). **Price**—To be supplied by amendment. **Proceeds**—For general corporate purposes. **Office**—Calgary, Alberta, Canada. **Underwriter** — Reynolds & Co., New York, will underwrite 600,000 of the shares in the United States; and McLeod, Young, Weir & Co., Ltd., 40,000 shares in Canada.

Band-it Co., Denver, Colo.
June 4 (letter of notification) $200,000 of 6% debentures. **Price**—At par (in denominations of $1,000 each). **Proceeds** — For developmental costs and working capital. **Underwriters**—Peters, Writer & Christensen, Inc. and Sidlo, Simons, Roberts & Co., both of Denver, Colo.

• **Blockson Chemical Co., Joliet, Ill. (6/26)**
June 6 filed 500,000 shares of common stock (par $7.50). **Price**—To be supplied by amendment. **Proceeds**—To certain selling stockholders. **Business**—Produces sodium phosphates, etc. **Underwriter**—Goldman, Sachs & Co., New York.

• **Boston Edison Co. (6/23)**
May 27 filed $15,000,000 of first mortgage bonds, series D, due July 1, 1982. **Proceeds**—To repay bank loans and for capital expenditures. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Goldman, Sachs & Co. (jointly); Lehman Brothers; The First Boston Corp.; Harriman Ripley & Co. Inc. **Bids**—To be received at 182 Tremont Street, Boston 12, Mass., up to noon (EDT) on June 23.

• **Bristol-Myers Co., New York**
May 28 filed 199,872 shares of common stock (par $2.50) being offered for subscription by common stockholders of record on June 17 at rate of one share for each seven shares held; rights to expire about July 1. **Price**—$24.50 per share. **Proceeds**—For expansion and general corporate purposes. **Underwriter**—Wertheim & Co., New York.

★ **Caledonia-Pacific, Inc., Reno, Nev.**
June 11 (letter of notification) $150,000 of 10-year registered notes and 180,000 shares of capital stock (par $1). **Proceeds**—To develop mining properties. **Office**—139 N. Virginia Street, Reno, Nev. **Underwriter**—None.

California Water Service Co. (6/25-26)
May 27 filed 50,000 shares of common stock (par $25). **Price**—To be supplied by amendment. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—Dean Witter & Co., San Francisco, Calif.

★ **Canada General Fund, Inc. (7/8)**
June 17 filed 1,350,000 shares of capital stock (par $1). **Price** — $10 per share. **Proceeds** — For investment in companies doing business in Canada. **Underwriters**—Bache & Co. and Paine, Webber, Jackson & Curtis of New York. **Business**—Closed-end fund at outset. To become open-end upon completion of financing, when Vance, Sanders & Co., Boston, Mass., will become distributor.

Cardiff Fluorite Mines, Ltd., Toronto, Canada
May 22 filed (amendment) 300,000 shares of common stock (par $1). **Price**—$1.25 per share. **Proceeds**—For

Continued on page 38

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development expenses and general corporate purposes. Underwriter—Frank P. Hunt & Co., Inc., Rochester, N. Y.

Carpenter (L. E.) & Co., Wharton, N. J.
May 14 (letter of notification) 1,000 shares of common stock (par $1). **Price**—At market (about $3.12½ to $3.25 per share). **Proceeds**—To two selling stockholders. **Underwriter**—Eisele & King, Libaire, Stout & Co., New York.

Central Louisiana Electric Co., Inc. (6/23)
May 22 filed $4,000,000 of first mortgage bonds, series D, due 1982. **Proceeds**—For construction program. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp.; White, Weld & Co., Shields & Co. and Kidder, Peabody & Co. (jointly); Lehman Brothers; The First Boston Corp.; Glore, Forgan & Co.; Salomon Bros. & Hutzler. **Bids**—To be received up to 11 a.m. (EDT) on or about June 23. Statement effective June 11.

Century Natural Gas & Oil Corp.
April 30 (letter of notification) 80,000 shares of common stock (par 10 cents). **Price**—40 cents per share. **Proceeds**—To Robert M. Allender and Judson M. Bell, two selling stockholders. **Underwriters**—Blair F. Claybaugh & Co., Harrisburg, Pa.

Cinecolor Corp., Burbank, Calif.
May 9 filed $452,350 of five-year 5% subordinated sinking fund debentures due May 1, 1957 (with common stock purchase warrants attached) to be offered for subscription by common stockholders at rate of $1 of debentures for each two common shares held. **Price**—At par. **Proceeds**—To purchase voting control of Cinecolor (Great Britain), Ltd. and for working capital. **Business**—Two-color film process. **Underwriter**—None. **Warrants** — Will entitle holders to purchase 452,350 shares of common stock at par ($1 per share). They are exercisable to May 1, 1955.

Cities Service Co.
May 28 filed $4,090,000 of participations in the Employees Thrift Plan of Cities Service Co. and participating subsidiary companies and 40,000 shares of common stock purchasable under the plan. **Underwriter**—None.

★ Colorado Fuel & Iron Corp.
June 11 filed 39,475 shares of common stock (no par). **Price**—At market. **Proceeds**—To Mt. Oliver & Staunton Coal Co., the selling stockholder. **Underwriter** — None, shares to be sold from time to time on the New York Stock Exchange.

★ Commonwealth Discount Corp., Roanoke, Va.
June 6 (letter of notification) $300,000 of debentures. **Price**—At an average unit price of $96 per $100 of principal amount. **Proceeds**—For working capital. **Office**—335 Luck Ave., S.W., Roanoke, Va. **Underwriter**—None.

Consolidated Natural Gas Co., New York
April 30 filed 409,254 shares of capital stock (par $15) being offered for subscription by stockholders of record June 3 at rate of one share for each eight shares held (with an oversubscription privilege); rights to expire on June 20. **Price**—$52 per share. **Proceeds**—To purchase securities of company's operating subsidiaries which in turn will use the funds for property additions and improvements. **Underwriter**—None. Statement effective May 27.

Continental Oil Co., Houston, Tex.
May 14 filed $26,000,000 of interests in The Thrift Plan for employees of this company, together with 400,000 shares of capital stock (par $5) purchasable under terms of the plan. **Underwriter**—None.

Dean Co., Chicago, Ill.
April 10 (letter of notification) 4,000 shares of common stock (par $10). **Price**—$16.50 per share. **Proceeds**—To T. A. Dean, trustee under the will of J. R. Dean. **Office**—666 Lake Shore Drive, Chicago 11, Ill. **Underwriter**—Boettcher & Co., Denver, Colo.

Deardorf Oil Corp., Oklahoma City, Okla.
April 14 (letter of notification) 2,000,000 shares of common stock. **Price**—At par (10 cents per share). **Proceeds**—For working capital. **Office**—219 Fidelity Bldg., Oklahoma City, Okla. **Underwriter**—None.

Deerpark Packing Co., Port Jervis, N. Y.
March 21 (letter of notification) 235,000 shares of common stock (par 10 cents). **Price**—$1.25 per share. **Proceeds**—To repay RFC loan of $41,050 and for working capital.

DeKalb-Ogle Telephone Co., Sycamore, Ill.
April 11 (letter of notification) 20,556 shares of common stock. **Price** — $10 per share. **Proceeds** — For general purposes. **Office**—112 West Elm Street, Sycamore, Ill. **Underwriter**—None.

DeKalb-Ogle Telephone Co., Sycamore, Ill.
June 3 (letter of notification) 720 shares of common stock. **Price**—$11 per share. **Proceeds**—For general corporate purposes. **Office**—112 West Elm St., Sycamore, Ill. **Underwriter**—None.

Devil Peak Uranium, Ltd. (Nev.)
April 7 (letter of notification) 600,000 shares of common stock (par one cent). **Price**—50 cents per share. **Proceeds** — For rehabilitation and development program. **Office** — Suite 839, 60 East 42nd St., New York 17, N. Y. **Underwriter**—Gardner & Co., White Plains, N. Y.

Devon-Leduc Oils, Ltd., Winnipeg, Canada
May 23 filed $1,000,000 of 10-year 5% convertible sinking fund mortgage bonds, due June 1, 1962. **Price**—100% of principal amount. **Proceeds**—To repay bank loans and for general corporate purposes. **Underwriter**—McLaughlin, Reuss & Co., New York.

Doman Helicopters, Inc.
June 2 (letter of notification) 25,000 shares of common stock (par $1) to be offered directly to company's stockholders and business associates. **Price**—$3 per share. **Proceeds**—For working capital. **Office**—545 Fifth Ave., New York 17, N. Y. **Underwriter**—None.

Duggan's Distillers Products Corp.
May 29 (letter of notification) 94,807 shares of common stock to be offered first for subscription by present stockholders, each purchaser of 100 shares to receive a bonus of 50 shares from the holdings of Charles A. Massis, who is the principal stockholder. **Price**—75 cents per share. **Proceeds**—For working capital. **Office**—248 McWharton St., Newark, N. J. **Underwriter**—None.

● Duquesne Natural Gas Co., Washington, Pa.
May 28 (letter of notification) a maximum of 92,783 shares of common stock (par one cent) being offered for subscription by stockholders of record June 13 at rate of one new common share for each five common shares held, two new common shares for each preferred share held and six new shares of common stock for each share of preference stock held (with an oversubscription privilege). Rights expire July 15. **Price**—$1 per share. **Proceeds** — For working capital. **Underwriters** — Bioren & Co., Philadelphia, Pa.; Hourwich & Co., New York; and C. T. Williams & Co., Inc., Baltimore, Md. Unsubscribed shares (not exceeding 75,000 shares), will be publicly offered at $1.25 per share.

Eastern Stainless Steel Corp., Baltimore, Md.
April 7 (letter of notification) 4,000 shares of common stock (par $5). **Price**—At market (approximately $15 per share). **Proceeds**—To J. M. Curley, the selling stockholder. **Underwriter**—Hornblower & Weeks, New York.

★ Electro-Components Corp. of America
June 11 (letter of notification) 2,998,000 shares of common stock (par one cent) to be offered to stockholders of Electronic Devices, Inc. Offer expires on June 25. **Price**—10 cents per share. **Proceeds**—For payment due to Electronic Devices, Inc.; for purchase of equipment; and for working capital. **Office**—Commercial Trust Co., Philadelphia, Pa. **Underwriter**—None. To be furnished by amendment. Probably—Tellier & Co., New York.

Empire District Electric Co. (6/25)
June 3 filed 150,000 shares of common stock (par $10). **Price**—To be supplied by amendment. **Proceeds**—For new construction. **Underwriters**—The First Boston Corp., New York, and G. H. Walker & Co., St. Louis.

★ Erie Commerce Building Corp.
June 9 (letter of notification) 3,000 shares of common stock. **Price**—$100 per share. **Proceeds**—To be added to general corporate funds. **Office** — 241 S. Beverly Drive, Beverly Hills, Calif. **Underwriter**—Bisno & Bisno, Beverly Hills, Calif.

Federal Services Finance Corp., Washington, D. C.
June 2 filed $300,000 of 5½% convertible subordinated debentures, due 1962. **Price**—At par (in denominations of $100 and multiples thereof). **Proceeds**—For working capital. **Office**—718 Jackson Place N. W., Washington, D. C. **Underwriters**—Mackall & Coe, Johnston, Lemon & Co. and Goodwyn & Olds, all of Washington, D. C.

● Fenimore Iron Mines, Ltd., Toronto, Canada
Jan. 25 filed 4,007,584 shares of common stock (par $1) and 2,003,792 common stock purchase warrants of which 1,919,971 shares were subscribed for by common stockholders at 75 cents per share (Canadian funds) on a basis of one new share for each two shares held and 83,821 shares will be sold to public. Purchasers will receive, for each share subscribed, a warrant to purchase one additional share at $1.25 (Canadian funds) per share until June 1, 1953, or an additional 2,003,792 shares. Unsubscribed shares will be offered by the underwriter at the same price and carrying the same warrants. **Proceeds**—To finance drilling program. **Underwriter**—Romaine Management, Ltd. Statement effective March 10.

Flathead Petroleum Co., Monroe, Wash.
March 21 filed 600,000 shares of common stock (par 10 cents). **Price** — 50 cents per share. **Proceeds** — For equipment and drilling purposes. **Underwriter**—None.

● Florida Power Corp., St. Petersburg, Fla. (7/1)
June 6 filed 309,300 shares of common stock (par $7.50) to be offered for subscription by common stockholders at rate of one new share for each five shares held on July 1, with rights to expire on July 16. **Price**—To be supplied by amendment. **Proceeds**—For new construction. **Underwriters**—Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane, both of New York.

● Form Moulding, Inc., Marion, Ind.
June 6 (letter of notification) 100,000 shares of class A stock and 11,740 shares of class B stock, of which only 71,195 shares of class A stock are being sold by the company, and the balance by several selling stockholders. **Price**—For class A, $2.25 per share; and for class B, $1.25 per share. **Proceeds**—To company; will be used for expansion. **Office**—226 West Second St., Marion, Ind. **Underwriters**—American Shares Corp., New York; Young & Co., Pittsburgh, Pa.

★ Front Range Uranium, Inc., Denver, Colo.
June 2 (letter of notification) 500,000 shares of common stock (par one cent). **Price**—50 cents per share. **Proceeds**—For exploration and development expenses. **Underwriter**—Vickers Brothers, New York.

● Gar Wood Industries, Inc., Wayne, Mich.
May 23 filed 95,460 shares of common stock (par $1) to be offered in exchange for United Stove Co. common stock at rate of one share of Gar Wood for each three shares of United. **Underwriter**—None. Statement effective June 13.

General Contract Corp. (formerly Industrial Bancshares Corp.), St. Louis, Mo.
May 26 filed 110,000 shares of common stock (par $2), 15,500 shares of preferred stock (par $100) and 50,000 shares of preferred stock (par $20) to be offered in exchange for stock of Securities Investment Co. of St. Louis at rate of 1 1/10 shares of common stock and one-half share of $20 par preferred stock for each S.I.C. common share and one share of $100 par preferred stock for each S.I.C. $100 preferred share. **Underwriter**—None.

General Public Utilities Corp. (7/1)
June 4 filed 531,949 shares of common stock (par $5) to be offered for subscription by common stockholders of record July 1 on the basis of one new share for each 15 shares held; rights to expire on July 15. **Price**—To be supplied by amendment. **Proceeds**—To repay notes, invest in common stocks of domestic subsidiaries and for other corporate purposes. **Underwriter**—None. Company to act as its own dealer-manager, with Merrill Lynch, Pierce, Fenner & Beane as clearing agent.

Georgia Power Co. (7/8)
June 6 filed $20,000,000 of first mortgage bonds due 1982. **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc., Morgan Stanley & Co., The First Boston Corp., Lehman Brothers, Kuhn, Loeb & Co., Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); Shields & Co. and Salomon Bros. & Hutzler (jointly); Union Securities Corp. and Equitable Securities Corp. (jointly); Harriman Ripley & Co. Inc. **Bids**—Expected on July 8 at 11 a.m. (EDT).

★ Guardian Burial Vault Corp.
June 10 (letter of notification) 299,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For purchase of equipment and working capital. **Office**—616-55th Street, West New York, N. J. **Underwriter**—None.

● Gulf Power Co., Pensacola, Fla. (6/24)
May 23 filed $7,000,000 of first mortgage bonds due 1982. **Proceeds**—For new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co.; Coffin & Burr, Inc.; The First Boston Corp., Kidder, Peabody & Co.; Union Securities Corp.; Equitable Securities Corp.; Blyth & Co., Inc.; Kuhn, Loeb & Co.; Merrill Lynch, Pierce, Fenner & Beane, Salomon Bros. & Hutzler and Drexel & Co. (jointly). **Bids** — Expected to be opened on or about June 24 at 11 a.m. (EDT). Statement effective June 12.

★ Gulf States Utilities Co.
June 17 filed 50,000 shares of cumulative preference stock (par $100). **Proceeds**—To repay bank loans and for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Stone & Webster Securities Corp.; Blyth & Co., Inc.; Lehman Brothers and Equitable Securities Corp. (jointly); Glore, Forgan & Co. and W. C. Langley & Co. (jointly); Lee Higginson Corp. and Carl M. Loeb, Rhoades & Co. (jointly). **Offering**—Expected in July.

Hamilton Land Co., Reno, Nev.
April 14 (letter of notification) 300,000 shares of capital stock. **Price**—At par (10 cents per share). **Proceeds**—To acquire ore dumps and for oil leases and royalties. **Office**—139 North Virginia St., Reno, Nev. **Underwriter**—Nevada Securities Corp.

● Hixon Placers, Inc., Seattle, Wash.
June 9 filed 787,736 shares of common stock (par 10 cents). **Price**—50 cents per share. **Proceeds**—For mining development, etc. **Underwriter**—None, sales to be made through agents, including officers and directors, who will receive a commission of 10 cents per share sold.

Houston Lighting & Power Co.
May 29 filed $14,265,550 of 3¼% convertible debentures due June 30, 1967 to be offered for subscription by common stockholders of record June 17 at rate of $50 principal amount of debentures for each 16⅔ shares held; rights to expire on July 7. **Price**—100% of principal amount. **Proceeds**—To repay bank loans and for new construction. **Underwriter**—Halsey, Stuart & Co., Inc., Chicago and New York.

Huyck (F. C.) & Sons
May 16 filed 60,000 shares of cumulative convertible prior preferred stock (par $50). **Price**—To be supplied by amendment. **Proceeds**—To redeem $5 class B preferred stock and for working capital. **Business** — Mechanical fabrics for industry and blankets and apparel cloth. **Underwriter**—Kidder, Peabody & Co., New York. **Offering**—Postponed indefinitely.

Idaho Maryland Mines Corp.
June 6 filed 200,000 shares of common stock (par $1). **Price**—At market (on the San Francisco Stock Exchange). **Proceeds**—To selling stockholder (Gwendolyn MacBoyle Betchtold, as executrix of the last will and testament of Errol Bechtold, deceased). **Office**—San Francisco, Calif. **Underwriter**—None.

Illinois Bell Telephone Co.
May 15 filed 682,454 shares of capital stock being offered for subscription by stockholders of record May 29 at rate of one share for each four shares held; rights to expire July 1. **Price**—At par ($100 per share). **Proceeds**—To repay advances from American Telephone & Telegraph Co., the parent (owner of 99.31% of Illinois Bell stock). **Underwriter**—None. Statement effective May 29.

Industrial Wire Cloth Products Corp.
May 16 (letter of notification) 1,700 shares of common stock. **Price** — $7.50 per share. **Proceeds** — To Kenneth Foust, the selling stockholder. **Office**—3927 Fourth St., Wayne, Mich. **Underwriter**—Manley, Bennett & Co., Detroit, Mich.

Inland Oil Co. (Nev.), Newark, N. J.
Feb. 26 (letter of notification) 399,100 shares of class A common stock (par 25 cents). **Price**—50 cents per share. **Proceeds**—For drilling and equipping well and for working capital. **Office**—11 Commerce St., Newark, N. J. **Underwriter**—Weber-Millican Co., New York.

International Technical Aero Services, Inc.
Feb. 15 (letter of notification) 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office**—International Terminal, Washington National Airport, Washington, D. C. **Underwriter**—James T. DeWitt & Co., Washington, D. C.

Jersey Yukon Mines Ltd., Toronto, Canada
March 20 filed 200,000 shares of common stock (par $1). **Price**—$1 per share (Canadian funds). **Proceeds**—For capital payments on property account and option agreements, purchase of machinery and operating expenses. **Underwriter**—None.

Justheim Petroleum Co., Salt Lake City, Utah
May 26 (letter of notification) 1,000,000 shares of common stock (par five cents). **Price**—Six cents per share. **Proceeds**—For acquisition and development of oil and gas properties. **Underwriter** — Harrison S. Brothers & Co., Salt Lake City, Utah.

Kansas-Colorado Utilities, Inc., Lamar, Colo.
March 14 (letter of notification) 5,866 shares of common stock. **Price**—$12.75 per share. **Proceeds**—To Sullivan-Brooks Co., Inc., the selling stockholder. **Office**—112 West Elm St., Lamar, Colo. **Underwriter** — Sullivan-Brooks Co., Inc., Wichita, Kan.

★ **Kansas-Colorado Utilities, Inc., Lamar, Colo.**
June 10 (letter of notification) 5,866 shares of common stock. **Price**—$12.75 per share. **Proceeds**—To Alphius N. Young, the selling stockholder. **Office**—112 W. Elm St., Lamar, Colo. **Underwriter**—Brooks & Co., Wichita, Kan.

Kerite Co., New York
May 29 (letter of notification) 7,261 shares of common stock (par $10), being offered for subscription by common stockholders at rate of one share for each 20 shares held on May 23; rights expire on June 20. **Price**—$20 per share. **Proceeds**—For expansion. **Office**—30 Church St., New York 7, N. Y. **Underwriter**—None.

Kirk Uranium Corp., Denver, Colo.
March 24 (letter of notification) 1,000,000 shares of common stock. **Price** — 30 cents per share. **Proceeds** — For exploration work. **Office** — 405 Interstate Trust Building, Denver, Colo. **Underwriter**—Gardner & Co., White Plains, N. Y.

★ **Klamath Falls (Ore.) Television, Inc.**
June 10 (letter of notification) 2,500 shares of common stock. **Price**—At par ($100 per share). **Proceeds**—To establish television station in Klamath Falls. **Address**—P. O. Box 941, Klamath Falls, Ore. **Underwriter**—None.

Lapaco Chemicals, Inc., Lansing, Mich.
March 18 (letter of notification) 200,787 convertible notes (each note convertible into $1 par class B stock). **Price**—90 cents each. **Proceeds** — For working capital and investment. **Office**—1800 Glenrose Ave., Lansing 2, Mich. **Underwriter**—None.

LaPointe-Plascomold Corp.
May 29 filed 230,485 shares of common stock (par $1), of which 190,485 shares are to be offered for subscription by stockholders of record June 18 at rate of one share for each share held, and 40,000 shares are to be issued upon exercise of stock options by officers and employees. **Price**—$2.75 per share. **Business**—Manufacture of television accessories. **Underwriter**—None.

★ **La-Z-Boy Chair Co., Monroe, Mich.**
June 9 (letter of notification) 78,094 shares of common stock (par $1). **Price**—$2 per share. **Proceeds**—For expansion of business. **Office** — 1284 N. Telegraph Road, Monroe, Mich. **Underwriter**—None.

★ **Lawton Oil Corp., Magnolia, Ark.**
June 9 (letter of notification) 100,000 shares of common stock (no par). **Price**—$2.25 per share. **Proceeds**—For exploration work. **Underwriter**—W. R. Stephens Investment Co., Inc., Little Rock, Ark.

★ **Leeds & Northrup Co., Philadelphia, Pa.**
June 16 filed 1,500 stock trust shares to be offered to employees through C. S. Redding, et al, trustees. **Price** — Not to exceed $70 per share. **Business** — Investment company.

Lincoln Telephone & Telegraph Co.
May 19 (letter of notification) 10,002 shares of common stock (par $16.67) being offered for subscription by common stockholders at rate of one share for each 16 shares held as of April 30; rights to expire on June 24. **Price**—$25 per share. **Proceeds** — To increase working capital. **Office**—1342 M St., Lincoln, Neb. **Underwriter**—None.

★ **Lindy Heaters, Inc., N. Y.**
June 12 (letter of notification) $100,000 of five-year 10% bonds. **Price**—100%, plus accrued interest. **Proceeds**—To repay loans and short-term debt and for working capital. **Office**—2370 Hoffman Street, New York, N. Y. **Underwriter**—None.

● **Link-Belt Co., Chicago, Ill.**
May 5 filed 21,636 shares of common stock (par $5), to be offered to a select group of officers and employees of the company and its subsidiaries. **Price**—$35 per share. **Proceeds** — For working capital. **Underwriter** — None. Statement effective June 10.

Magar Home Products, Inc., Geneva, Ill.
May 22 (letter of notification) 3,000 shares of common stock (par one cent). **Price**—At market (approximately 75 cents per share). **Proceeds**—To T. F. Myers, the selling stockholder. **Office**—15 South First Street, Geneva, Ill. **Underwriter**—Reynolds & Co., New York, and Chicago, Ill.

Martin (Glenn L.) Co. (6/25)
May 29 filed 761,859 shares of common stock (par $1) to be offered for subscription by stockholders of record on June 25 (other than Glenn L. Martin) at the rate of nine shares for each 10 shares held; rights to expire on July 17. **Price**—$6 per share. **Proceeds**—To repay convertible notes. **Underwriter**—None.

Mayfair Markets, Los Angeles, Calif.
June 3 (letter of notification) 5,000 shares of preferred stock (par $50) and 5,000 shares of common stock (no par) to be offered in units of one preferred and one common share. **Price**—$60 per unit. **Proceeds**—To pay expansion costs. **Office**—4383 Bandini Blvd., Los Angeles, Calif. **Underwriter**—None.

★ **McCarthy (Glenn), Inc., Houston, Tex. (7/2)**
July 12 filed 10,000,000 shares of common stock (par 25 cents). **Price**—$2 per share. **Proceeds** — For drilling of exploratory wells, acquisition of leases and for general corporate purposes. **Underwriter**—B. V. Christie & Co., Houston, Tex. **Offering**—Expected in July.

● **Metal Forming Corp., Elkhart, Ind.**
June 2 (letter of notification) 2,000 shares of common stock (par $1). **Price**—At market. **Proceeds**—To Paul J. Berkholder, the selling stockholder. **Office**—1937 Sterling Ave., Elkhart, Ind. **Underwriter**—W. F. Martin, Inc., Elkhart, Ind. **Offering**—Indefinitely postponed.

★ **Metals & Chemicals Corp., Dallas, Tex. (7/3)**
June 13 filed 200,000 shares of capital stock (par 10 cents) of which 190,000 shares will be offered to the public. **Price**—$3 per share. **Proceeds**—To repay debt and for development of mine properties. **Business**—Mining in Costa Rica. **Underwriter**—Beer & Co., Dallas, Tex.

Middlesex Water Co.
June 4 (letter of notification) 5,200 shares of common stock (no par) being offered for subscription by both preferred and common stockholders at the rate of one share of new stock for each five shares of either class of stock held as of record June 10; rights will expire July 1. **Price**—$50 per share. **Proceeds**—To repay bank loans. **Underwriter**—Clark, Dodge & Co., New York.

● **Midwest Pipe & Supply Co., Inc. (6/25)**
May 19 filed 100,938 shares of common stock (no par). **Price**—To be supplied by amendment. **Proceeds**—To go to selling stockholders. **Underwriter**—G. H. Walker & Co., St. Louis and New York.

★ **Mineral Mountain Mining & Milling Co., Phoenix, Ariz.**
May 26 (letter of notification) 100,000 shares of capital stock (no par). **Price**—$1 per share. **Proceeds**—For development of mining properties. **Underwriter**—None.

★ **Missouri Utilities Co., Cape Girardeau, Mo.**
June 13 (letter of notification) 18,280 shares of common stock (par $1). **Price**—$15.50 per share. **Proceeds**—For general funds. **Underwriter**—E. D. Jones & Co., St. Louis, Mo.

★ **Mon-Dak Oil, Inc., Sidney, Mont.**
May 12 (letter of notification) 10,000 shares of capital stock. **Price**—$20 per share. **Proceeds**—For drilling expenses. **Office**—106 W. Peer St., Sidney, Mont. **Underwriter**—None, but sales will be handled by J. B. Schmitz of Sidney, and others.

★ **Monogram Pictures Corp., Hollywood, Calif.**
June 9 (letter of notification) 12,500 shares of common stock (par $1). **Price**—$3.25 per share. **Proceeds**—To W. Ray Johnston, the selling stockholder. **Underwriter**—F. C. Masterson & Co., New York.

Monty's Stores, Inc., Seattle, Wash.
May 16 (letter of notification) $100,000 of 7% 10-year convertible bonds (in denominations of $500 and $1,000 each) and 10,000 shares of common stock (par $10). **Price**—At par. **Proceeds**—For working capital and expansion. **Office**—208 Third Ave., South, Seattle, Wash. **Underwriter**—National Securities Corp., Seattle, Wash.

Morrow (R. D.) Co., Inc., Pittsburgh, Pa.
May 5 (letter of notification) 10,000 shares of 5% cumulative convertible preferred stock. **Price**—At par ($10 per share). **Proceeds**—For financing of Master TV antenna systems in apartment houses on a lease basis and for additional working capital. **Underwriter**—Graham & Co., Pittsburgh, Pa.

● **Motion Picture Advertising Service Co., Inc. (La.)**
May 22 (letter of notification) 20,487 shares of common stock (no par), being offered for subscription by stockholders of record May 22 at rate of one share for each four shares held; rights to expire on June 30. **Price**—$8 per share to stockholders and $8.50 per share to public. **Proceeds** — To expand company's film production and distribution facilities. **Underwriter**—Howard, Weil, Labouisse, Friedrichs & Co., New Orleans, La.

Mt. Vernon (O.) Telephone Co.
June 2 (letter of notification) 2,000 shares of 5% cumulative preferred stock to be offered initially to present preferred stockholders. **Price**—At par ($100 per share). **Proceeds**—To repay temporary bank loans. **Office**—15 E. Gambier St., Mt. Vernon, O. **Underwriter**—None.

Mullins Manufacturing Corp., Salem, Ohio
June 9 filed 82,000 shares of common stock (par $1), to be issued to certain supervisory employees under a stock option plan. **Underwriter**—None.

★ **National Securities & Research Corp.**
June 13 filed 6,000,000 shares of National Securities Series of 10 different series (aggregating $63,660,000). **Price**—At market. **Proceeds**—For investment. **Underwriter**—National Securities & Research Corp., New York, who will also act as sponsors and managers of Funds.

Nelsonating, Inc., Utica, N. Y.
June 4 (letter of notification) 1,500 shs. of 5% preferred stock (par $20) and 1,500 shares of common stock (no par) to be offered in units of one share of each class. **Price**—$20 per unit. **Proceeds**—For working capital. **Underwriter**—Mohawk Valley Investing Co., Inc., Utica, N. Y.

★ **Nev-Tah Oil & Mining Co., Salt Lake City, Utah**
June 12 (letter of notification) 600,000 shares of common stock (par 5 cents). **Price**—10 cents per share. **Proceeds** — For expansion of operations. **Underwriter** — Cromer Brokerage Co., Salt Lake City, Utah.

● **New England Power Co. (6/25)**
May 28 filed $5,000,000 of first mortgage bonds, series E, due June 1, 1982. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers; Blyth & Co., Inc.; Equitable Securities Corp. and Blair, Rollins & Co. Inc. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Harriman Ripley & Co., Inc.; The First Boston Corp.; Kuhn, Loeb & Co., Union Securities Corp. and Salomon Bros. & Hutzler (jointly); Kidder, Peabody & Co. and White, Weld & Co. (jointly). **Bids**—To be received up to noon (EDT) on June 25 in Boston, Mass. Statement effective June 17.

Northern States Power Co. (Minn.)
May 1 filed 1,108,966 shares of common stock (par $5) being offered for subscription by common stockholders of record June 5 at rate of one share for each 10 shares held (with an oversubscription privilege); rights to expire June 23. **Price**—$10.50 per share. **Proceeds**—For construction program. **Underwriters**—Lehman Brothers and Riter & Co. (jointly) who were awarded the issue on June 4. Statement effective May 23.

★ **Northwestern Oils, Inc., Sparks, Nev.**
May 22 (letter of notification) 300,000 shares of common stock to be offered as a bonus by Ben Ernest Young, 1800 B St., Sparks, Nev.

★ **Northwestern Oils, Inc., Sparks, Nev.**
May 26 (letter of notification) 300,000 shares of common stock, to be offered as a bonus by James Elias Morris, 1800 B St., Sparks, Nev.

Pacific Gas & Electric Co.
May 21 filed 2,271,300 shares of common stock (par $25) being offered for subscription to stockholders of record June 10 in ratio of one share for each five shares held; rights to expire July 2 with subscription period to open June 16. **Price**—$30 per share. **Proceeds**—For construction program. **Underwriter**—Blyth & Co., Inc., San Francisco and New York. Statement effective June 10.

★ **Park Grant Co., Watertown, S. D.**
June 9 (letter of notification) 3,000 shares of preferred stock (par $100), of which 1,280 shares will be exchanged for all of the capital stock of Leach & Gamble Co., Wahpeton, N. D., and 1,720 shares will be sold to common stockholders and the public. **Price**—At par. **Proceeds**—For general corporate pprposes. **Underwriter**—None.

● **Penobscot Chemical Fibre Co.**
June 11 filed $1,250,000 of first mortgage bonds, due July 1, 1972. **Price**—To be supplied by amendment. **Proceeds**—For expansion costs. **Business**—Wood chemicals. **Underwriters**—Coffin & Burr, Inc. and Chase, Whiteside, West & Winslow, Inc., both of Boston, Mass.

Peoples Finance Corp., Montgomery, Ala.
Dec. 19 (letter of notification) 15,000 shares of common stock (par $1). **Price**—$3 per share. **Underwriter**—Carlson & Co., Birmingham, Ala. **Proceeds**—To expand business. **Office**—5 South Court St., Montgomery, Ala.

Petroleum Finance Corp.
Feb. 5 (letter of notification) 60,000 shares of common stock (par $1) and 30,000 warrants to purchase 30,000 shares of common stock (warrants exercisable at $7.50 per share on or prior to April 1, 1954). Each purchaser of two common shares will receive one warrant. **Price**—$5 per share. **Proceeds**—For working capital. **Office**—Oklahoma City, Okla. **Underwriter**—George F. Breen, New York.

★ **Pittston Company**
June 11 (letter of notification) 3,600 shares of common stock (par $1). **Price**—At market (about $29.25 per share. **Proceeds**—To working capital. **Office**—350 Fifth Avenue, New York 1, N. Y. **Underwriter**—None, but sales will be made through Laidlaw & Co. or Vernon C. Brown, Sheffmeyer & Co., both of New York.

★ **Porto Rico Sugar Co.**
June 9 (letter of notification) 800 shares of common stock. **Price**—At market. **Proceeds**—To James A. Moffett, 2nd, the selling stockholder. **Office**—99 Wall Street, New York 5, N. Y. **Underwriter**—None.

Power Condenser & Electronics Corp.
May 2 (letter of notification) $285,000 of 10-year 5% income notes due May 1, 1962, and 11,400 shares of common stock (par $1), to be sold in units of one $1,000 note and 30 shares of common stock. **Price**—$1,000 per unit. **Proceeds**—For working capital. **Office** — 60 State St., Boston, Mass. **Underwriter**—None.

● **Public Service Co. of Indiana, Inc. (6/24)**
May 28 filed $25,000,000 of first mortgage bonds, series J, due July 1, 1982. **Proceeds**—To repay bank loans and for construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Blyth & Co., Inc., The First Boston Corp., Glore, Forgan & Co., Lehman Brothers and Stone & Webster Securities Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane, Kidder, Peabody & Co. and White, Weld & Co. (jointly); Harriman Ripley & Co. Inc. **Bids**—To be opened at 11 a.m. (CDT) on June 24.

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● Public Service Co. of New Hampshire (6/23)
May 28 filed 50,000 shares of preferred stock (par $100). **Proceeds**—For new construction and to repay short-term borrowings. **Underwriter**—To be determined by competitive bidding. Probable bidders: The First Boston Corp.; Kidder, Peabody & Co. and Blyth & Co., Inc. (jointly); Harriman Ripley & Co., Inc. **Bids**—To be received up to 11 a.m. (EDT) on June 23 in Boston, Mass. Statement effective June 17.

● Public Service Co. of New Mexico
May 28 filed 173,136 shares of common stock (par $5) being offered for subscription by common stockholders at rate of one new share for each seven shares held on June 18; with rights to expire July 2. **Price** — $8 per share. **Proceeds**—For new construction. **Underwriter**—Allen & Co., New York. Statement effective June 18.

● Pyramid Oil & Gas Corp. (6/23)
June 5 (letter of notification) 162,000 shares of common stock (par 10 cents). **Price**—$1.50 per share. **Proceeds**—For development of oil and gas holdings. **Office**—825 First St., West Palm Beach, Fla. **Underwriter**—Willis E. Burnside & Co., Inc., New York.

Rose's 5, 10 & 25-Cent Stores, Inc.
May 26 (letter of notification) 4,370 shares of common stock (par $10) being offered for subscription by stockholders of record June 9 at rate of one new share for each 33.325 shares held; rights to expire June 24. **Price**—$45 per share. **Proceeds**—For working capital. **Office**—218 C. Garnett St., Henderson, N. C. **Underwriter**—None.

Safeway Stores, Inc., Oakland, Calif. (6/24)
June 5 filed 200,000 shares of cumulative convertible preferred stock (par $100). **Price**—To be supplied by amendment. **Proceeds**—To reduce short-term loans and for construction and modernization program. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York.

St. Louis Midwest Co., St. Louis, Mo.
May 29 filed 55,000 shares of common stock (par $1) to be offered to a limited group of persons active in the management and affairs of Midwest Piping & Supply Co., Inc., St. Louis, Mo. **Price**—To be supplied by amendment. **Proceeds**—To purchase 55,000 shares of Midwest Piping common stock owned by the trustee under the wills of Hugo F. Urbauer and Ina C. Urbauer, deceased. **Underwriter** — G. H. Walker & Co., St. Louis, Mo., for unsubscribed shares.

★ Segal Lock & Hardware Co., Inc.
June 16 (letter of notification) up to 298,000 shares of common stock (par $1) to be offered to creditors of company or its subsidiaries. **Price**—At the market ($1.25 to $1.75 per share) sufficient to bring an aggregate of not to exceed $298,000. **Proceeds**—To liquidate indebtedness. **Office**—395 Broadway, New York 13, N. Y. **Underwriter**—None.

★ Seminole Oil & Gas Corp., Tulsa, Okla.
June 9 (letter of notification) 13,566 shares of common stock (par five cents). **Price**—At the market. **Proceeds**—For working capital. **Office**—Tri-State Bldg., Tulsa, Okla. **Underwriter**—None.

Shawmut Association, Boston, Mass.
April 30 (letter of notification) 200 shares of common stock (no par). **Price**—At market (approximately $19 per share). **Proceeds**—To Walter S. Bucklin, the selling stockholder. **Underwriter**—Paine, Webber, Jackson & Curtis, Boston, Mass.

Signal Mines, Ltd., Toronto, Canada
March 17 filed 600,000 shares of common stock of which 500,000 shares are for account of company. **Price**—At par ($1 per share). **Proceeds**—For exploration and development costs and working capital. **Underwriter**—Northeastern Securities Ltd.

Smith (S. Morgan) Co., Inc., York, Pa. (6/25)
May 29 filed 100,000 shares of capital stock (par $10), of which an unspecified number of shares are to be offered initially to stockholders who have not waived their preemptive rights to subscribe thereto. **Price**—To be supplied by amendment. **Proceeds** — From sale of stock, together with $3,500,000 to be received from private sale of an issue of sinking fund notes, to be used to repay bank loans, for expansion of plant facilities and for working capital. **Underwriter** — The First Boston Corp., New York.

● South Atlantic Gas Co., Savannah, Ga.
June 5 (letter of notification) 29,600 shares of common stock. **Price**—$10 per share. **Proceeds**—To pay off bank debt. **Underwriters**—Johnson, Lane, Space & Co., Inc., Savannah, Ga.; Grimm & Co., New York.

South Jersey Gas Co. (7/1)
June 6 filed 154,230 shares of common stock (par $5). **Proceeds**—To The United Corp., the selling stockholder. **Underwriter**—To be determined by competitive bidding. Probable bidders: Kidder, Peabody & Co. and Allen & Co. (jointly); Lehman Brothers and Bear, Stearns & Co. (jointly). **Bids** — Expected to be opened on or about July 1. **Registration**—May become effective on June 20.

● Southern Co., Wilmington, Del.
May 16 filed 1,004,510 shares of common stock (par $5) to be offered by company for subscription by common stockholders of record June 19 at rate of one share for each 16 shares held; rights to expire July 10. **Price**—$12.75 per share. **Proceeds**—To increase investments in subsidiaries in furtherance of their construction programs. **Underwriter**—Lehman Brothers, who were awarded issue on June 18. Statement effective June 4.

★ Southern Fire & Casualty Co., Knoxville, Tenn.
June 9 (letter of notification) 35,200 shares of capital stock (no par). **Price**—$8.50 per share. **Proceeds**—For expansion. **Office**—4277 Lyons View Pike, Knoxville, Tenn. **Underwriter**—G. H. Crawford & Co., Columbia, South Carolina.

● Southern New England Telephone Co. (6/24)
May 27 filed $15,000,000 of 33-year debentures due July 1, 1985. **Proceeds**—To repay indebtedness to American Telephone & Telegraph Co. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Kidder, Peabody & Co. (jointly); Blyth & Co., Inc., The First Boston Corp.; Lehman Brothers and Salomon Bros. & Hutzler (jointly); Morgan Stanley & Co.; Merrill Lynch, Pierce, Fenner & Beane. **Bids**—To be received up to 11 a.m. (EDT) on June 24 at 195 Broadway, New York, N. Y. Statement effective June 12.

★ Southwestern Porcelain Steel Corp., Sand Springs, Okla.
June 11 (letter of notification) 6,000 shares of capital stock (par $10). **Price**—$12 per share. **Proceeds**—For expansion. **Underwriter**—W. F. Hurt, Tulsa, Okla.

★ Staley (A. E.) Manufacturing Co. (7/7)
June 17 filed $12,000,000 sinking fund debentures due July 1, 1977. **Price**—To be supplied by amendment. **Purpose**—To retire 3% debentures due 1959 and for general corporate purposes. **Underwriters**—Smith, Barney & Co. and The First Boston Corp. of New York.

● Standard Oil Co. (Ohio)
April 24 filed $2,025,000 interests in the Sohio Employees Investment Plan together with 30,000 common and 6,750 preferred shares of the company which may be purchased pursuant to the terms of the plan. Statement effective June 9.

★ Sterling Finance Corp., Council Bluffs, Iowa (6/23)
June 9 (letter of notification) $250,000 of debentures and 2,500 shares of class A common stock (par $1) to be offered in units of $100 of debentures and one share of common stock. **Price**—$101 per unit. **Proceeds**—For working capital. **Office**—19 S. 6th Street, Council Bluffs, Iowa. **Underwriter**—Walt Clyde, New York.

Storer Broadcasting Co.
May 19 filed 215,000 shares of common stock (par $1), of which 200,000 shares are being sold by certain selling stockholders (170,000 to be offered publicly and 10,000 to certain employees; and 20,000 shares to the underwriters under option agreement) and the remaining 15,000 shares being reserved for sale by company to certain employees. **Price**—Of first 200,000 shares, to be supplied by amendment; of 15,000 shares by company, $10.62½ per share. **Proceeds**—For general corporate purposes. **Underwriters**—Reynolds & Co., New York, and Oscar E. Dooly & Co., Miami, Fla. **Offering**—Temporarily postponed.

● Tennessee Gas Transmission Co.
May 26 filed $800,000 of employees funds, plus contributions of the company to be invested in two plans, viz: Class A, consisting of U. S. Savings Bonds; and Class B, consisting of investments in Tennessee Gas Transmission Co. securities and securities of other companies and investment funds. **Underwriter**—None. Statement effective June 11.

Texas Eastern Transmission Corp. (6/23)
June 2 filed 250,000 shares of cumulative convertible preferred stock (par $100). **Price** — To be supplied by amendment. **Proceeds**—For expansion program. **Underwriter**—Dillon, Read & Co., Inc., New York.

● Texas General Production Co.
June 4 filed 2,500,000 shares of common stock (par 50 cents). **Price**—To be supplied by amendment. **Proceeds**—To buy property for oil prospecting. **Office**—Houston, Tex. **Underwriter**—To be named by amendment (probably Hemphill, Noyes, Graham, Parsons & Co., New York. **Offering**—Tentatively postponed.

★ Thor Corp., Chicago, Ill.
June 11 (letter of notification) 13,400 shares of capital stock (par $20). **Price**—$13 per share. **Proceeds**—For working capital. **Office**—2115 S. 54th Avenue, Chicago, Ill. **Underwriter**—None.

Tiger Tractor Corp., Keyser, W. Va.
May 13 (letter of notification) 180,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For working capital. **Office**—East and Mozelle St., Keyser, W. Va. **Underwriter**—None.

★ Title Guarantee Co., Baltimore, Md.
June 10 filed voting trust certificates covering 42,620 shares of common stock (par $10).

Trans-Canada Petroleums, Ltd., Montreal, Canada
May 1 filed 1,000,000 shares of common stock (par $1). **Price**—$1.50 per share. **Proceeds**—For exploration and drilling. **Underwriter**—Mallinson Weir, Inc., New York.

Tri-State Petroleum Co., Inc.
May 19 (letter of notification) 300,000 shares of common stock (par 25 cents). **Price**—$1 per share. **Proceeds**—For oil well development in New Mexico. **Office**—407 Shipley St., Wilmington 1, Del. **Underwriter**—Calvert Securities Corp., Wilmington, Del.

Uarco Inc., Chicago, Ill.
May 5 (letter of notification) 2,800 shares of common stock (par $10). **Price**—At market (estimated at $20.50 per share). **Proceeds**—To George Buffington, the selling stockholder. **Underwriter**—Kidder, Peabody & Co., New York.

★ U. S. Thermo Control Co., Minneapolis, Minn.
June 9 (letter of notification) an estimated 7,588 shares of common stock. **Price**—At market (estimated at $3.37½ per share). **Proceeds**—To M. B. Green, the selling stockholder. **Office**—44 S. 12th St., Minneapolis, Minn. **Underwriter**—None.

Utah Home Fire Insurance Co.
April 15 (letter of notification) 10,000 shares of common stock (par $10) to be offered first to common stockholders for subscription. **Price**—$20 per share to stockholders; approximately $25.75 per share to public. **Proceeds**—To enlarge company's operations as an insurance carrier. **Office**—47 West South Temple, Salt Lake City 1, Utah.

Victor Chemical Works, Chicago, Ill.
June 9 filed 65,470 shares of common stock (par $5), issuable upon exercise prior to April 1, 1962 of stock options granted to designated employees. 1962 of **Proceeds**—To be added to general funds of company and used for general corporate purposes. **Underwriter**—None.

Warren (Ohio) Telephone Co.
April 30 (letter of notification) 3,000 shares of $5 dividend preferred stock (no par) to be offered to stockholders in ratio of 0.21676 shares for each share already owned. **Price**—At $100 per share and accrued dividends. **Proceeds** — To reimburse treasury for capital expenditures already made. **Underwriter**—None.

★ Washington Gas Light Co. (7/2)
June 12 filed 104,915 shares of common stock (no par), to be offered for subscription by common stockholders of record July 1 at rate of one share for each seven shares held; rights to expire on July 18. **Price**—To be supplied by amendment. **Proceeds**—For new construction. **Underwriters**—The First Boston Corp., New York, and Johnston, Lemon & Co., Washington, D. C.

Weisfield's, Inc., Seattle, Wash.
April 17 (letter of notification) 5,184 shares of common stock. **Price**—$54.25 per share. **Proceeds**—For working capital. **Office** — 1511 Fifth Avenue, Seattle 1, Wash. **Underwriter**—None.

● West Virginia Production Co. (6/25-26)
May 28 filed 300,000 shares of 10-cent cumulative preferred stock of $1 par value (convertible after Dec. 31, 1955) to be offered for subscription by common and preferred stockholders of West Virginia Water Service Co. on the following basis; one share for each common share held; 6 shares for each $5 preferred share(convertible into 6 common shares); and 5½ shares for each preferred share (convertible into 5½ common shares). **Price**—To be supplied by amendment. **Proceeds**—To drill wells and acquire acreage. **Underwriters**—Allen & Co., New York; and Shea & Co., Inc., Boston, Mass.

Western Pacific Insurance Co., Seattle, Wash.
April 21 (letter of notification) 13,018 shares of common stock. **Price**—$20 per share. **Proceeds**—To qualify company as a multiple line insurance carrier and to increase surplus. **Office**—Artic Bldg., 3rd and Cherry Sts., Seattle, Wash. **Underwriter** — Daugherty, Buchart & Cole, Seattle, Wash.

★ Wickes Corp., Saginaw, Mich.
June 9 (letter of notification) 1,800 shares of capital stock. **Price**—$8.50 per share. **Proceeds**—To Thomas C. Harvey, the selling stockholder. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, Saginaw, Mich.

★ Williston Basin Exploration Co., Billings, Mont.
June 5 (letter of notification) $150,000 of oil and gas leases in the Williston Basin. **Price**—$50 to $150 per acre. **Proceeds**—For financing of a test well. **Underwriter** — None. **Office** — 3007½ First Avenue, Billings, Montana.

Prospective Offerings

Aeroquip Corp.
Jan. 4, Don T. McKone, Chairman, announced that consideration was being given to the possibility of equity financing. On Feb. 18, stockholders voted to increase the authorized common stock to 1,000,000 from 750,000 shares, and to issue 37,500 shares as a 5% stock dividend. **Underwriter**—Watling Lerchen & Co., Detroit, Mich. **Proceeds**—For additional working capital.

Allis-Chalmers Manufacturing Co.
May 12 it was reported company may do some financing, the nature of which has not yet been determined. **Underwriter**—Blyth & Co., Inc.

American Barge Line Co.
May 27 stockholders approved a proposal to increase the authorized common stock (par $5) from 330,000 to 430,000 shares and approved a waiver of preemptive rights to subscribe for any of the additional shares. **Proceeds**—To finance purchase of equipment and terminal and warehouse facilities. **Traditional Underwriter**—F. Eberstadt & Co., Inc., New York.

Arkansas Power & Light Co.
March 14 it was reported company plans sale in October of $12,000,000 first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Equitable Securities Corp., and Central Republic Co. (Inc.) (jointly); Lehman Brothers and Stone & Webster Securities Corp. (jointly); Union Securities Corp.; Merrill Lynch, Pierce, Fenner & Beane; Blyth & Co., Inc.

★ **Associated Telephone Co., Ltd. (Calif.)**
June 9 it was reported company may issue and sell in October about $8,000,000 to $9,000,000 of first mortgage bonds, series H, due 1982. **Proceeds**—For repayment of bank loans and construction program. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Paine, Webber, Jackson & Curtis; White, Weld & Co.

Atlantic City Electric Co.
April 28 it was announced company may sell about $4,000,000 of preferred stock some time this Fall. **Proceeds**—For construction program. **Underwriters**—Probably Union Securities Corp. and Smith, Barney & Co., New York. Debt financing for approximately $3,000,000 planned in 1953.

Atlantic Refining Co.
March 21, Robert H. Colley, President, said in the company's annual report that "the time may be coming when additional financing will be required to supplement retained earnings available for capital expenditures." The amount and timing of such financing cannot be presently announced. **Traditional Underwriter**—Smith, Barney & Co., New York.

Banff Oil Co., Ltd. (Canada)
May 6 it was reported company plans to issue and sell an issue of about 1,000,000 shares of common stock. **Proceeds**—For drilling and exploration costs. **Registration**—Expected early in June with offering later in month. **Underwriter**—Lehman Brothers, New York.

California Electric Power Co.
May 8 it was reported company plans to issue and sell between $4,000,000 and $4,500,000 first mortgage bonds by competitive bidding and about $2,500,000 of preferred stock and $2,500,000 common stock probably through negotiated sale. Probable bidders for bonds: Halsey, Stuart & Co. Inc. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Salomon Bros. & Hutzler. Underwriters for stock: Probably William R. Staats & Co.; Lester, Ryons & Co.; and Walston, Hoffman & Goodwin.

Canadian Palmer Stendel Oil Corp.
April 18 it was reported that 1,820,857 shares of common stock are to be offered for subscription by stockholders of Palmer Stendel Oil Corp. on a 1-for-2 basis. **Price**—At par (25 cents per share). **Underwriter**—Burnham & Co., New York.

Carolina Natural Gas Corp.
May 19 company sought FPC authority to a new 40-mile transmission line estimated to cost $3,150,000, to be financed by the issuance of $1,600,000 first mortgage bonds, $750,000 15-year debentures and $800,000 common stock. **Traditional Underwriter** — R. S. Dickson & Co., Charlotte, N. C.

Central Hudson Gas & Electric Corp.
March 4 it was reported company plans the sale this Fall of about $5,500,000 first mortgage bonds. Latest bond financing was done privately in March, 1951 through Kidder, Peabody & Co.

Central Maine Power Co.
May 15 stockholders increased authorized common stock (par $10) from 2,500,000 shares to 3,250,000 shares and preferred stock (par $100) from 300,000 shares to 330,000 shares. It is estimated that additional financing necessary this year will be in excess of $8,500,000.

Cincinnati Enquirer, Inc.
June 5 this corporation was formed to take over the Cincinnati Enquirer for the sum of $7,600,000, of which $6,000,000 will be raised through the sale of bonds and by issue of capital stock of which the purchase of about $1,900,000 has been pledged. **Underwriter**—For bonds: Halsey, Stuart & Co. Inc., Chicago and New York.

● **Citizens Utilities Co.**
June 16, Richard L. Rosenthal announced that company anticipated doing some permanent financing in 1952, and it was planned that this would be in the form of mortgage bonds and debentures. No common stock financing is presently contemplated.

Columbus & Southern Ohio Electric Co.
April 26 it was announced company expects to enter the permanent financing market about the middle of 1952 with not less than 200,000 shares of new common stock. **Proceeds** — For construction program. **Underwriter** — Dillon Read & Co., Inc., New York.

● **Commonwealth Edison Co. (7/15)**
June 12 the directors authorized an issue of $40,000,000 first mortgage bonds, due 1982, to be sold about the middle of July. **Proceeds**—For new construction. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.; The First Boston Corp. **Registration** — Expected this week.

Connecticut Light & Power Co.
March 1 it was announced that it is presently estimated that approximately $11,000,000 of additional capital will be required during the latter half of 1952.

Consolidated Gas, Electric Light & Power Co. of Baltimore
Dec. 24 it was stated that company plans to issue and sell both stocks and bonds during 1952 to an amount sufficient to raise approximately $22,000,000. **Underwriters**—For bonds to be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and The First Boston Corp. (jointly); Harriman Ripley & Co., Inc. and Alex. Brown & Sons (jointly). The First Boston Corp., Alex. Brown & Sons and John C. Legg & Co (jointly) handled latest common stock financing, while White, Weld & Co. handled last preferred stock sale. **Proceeds**—For new construction.

Copperweld Steel Co.
April 30 stockholders approved a proposal to increase the authorized indebtedness from $5,000,000 to $15,000,000 (none presently outstanding) and the authorized preferred stock (par $50) to 137,727 shares from 37,727 shares, which are all outstanding. **Traditional Underwriter**—Riter & Co., New York.

Creameries of America, Inc.
April 14, G. S. McKenzie, President, stated that the company may do some long-term borrowing in about two months to finance expansion program. **Traditional Underwriters** — Kidder, Peabody & Co. and Mitchum, Tully & Co.

Deere & Co. (7/15)
June 6 it was announced company plans to raise $70,000,000 from the sale of new securities, viz: $50,000,000 of debentures and $20,000,000 of common stock. Stockholders on June 30 will vote on splitting up the common stock on a two-for-one basis, by issuance of two no par shares for each present outstanding $10 par share. **Proceeds**—For plant expansion and working capital. **Registration**—Tentatively scheduled for June 25. **Offering**—Expected on July 15. **Underwriter**—Harriman Ripley & Co., Inc., New York.

Duquesne Light Co.
May 13 it was announced stockholders will vote July 8 on increasing authorized preferred stock (par $50) from 800,000 shares to 1,000,000 shares. **Underwriters**—To be determined by Competitive bidding. Probable bidders: The First Boston Corp.; Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly); Lehman Brothers; Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly).

★ **European American Airlines, Inc.**
June 11 it was reported company plans to raise an additional $400,000 of equity capital. An issue of $200,000 of capital stock was just recently placed privately at $7.50 per share. **Underwriter** — Gearhart, Kinnard & Otis, Inc., New York.

Food Fair Stores, Inc.
May 20 it was announced stockholders will vote Aug. 19 on increasing authorized indebtedness from $12,000,000 to $25,000,000 and to increase the authorized common stock from 2,500,000 to 5,000,000 shares. No immediate issuance of either debt securities or of common stock is contemplated. **Traditional Underwriter**—Eastman, Dillon & Co., New York.

Glass Fibres, Inc.
April 7 stockholders voted to increase authorized common stock from 1,000,000 shares (approximately 938,000 shares outstanding) to 1,250,000 shares to provide additional stock for future expansion needs. **Traditional Underwriter**—McCormick & Co., Chicago, Ill.

Globe-Wernicke Co.
March 26 stockholders increased authorized common stock from 300,000 shares (par $5) to 600,000 shares (par $7), placing the company in a position to consider from time to time stock dividends and the giving of stock rights or warrants to present stockholders. **Underwriters**—May include Westheimer & Co., Cincinnati, O. Previous public financing handled by W. E. Hutton & Co. and W. D. Gradison & Co., also of Cincinnati.

Honolulu (City and County of)
May 20 it was announced it is planned to issue and sell $6,000,000 bonds for construction of the Kalihi tunnel, $5,000,000 bonds for public school program, $1,600,000 bonds for public improvements and $1,000,000 for flood control.

Idaho Power Co.
Feb. 27 T. E. Roach, President, announced that the company's present plans consist of the sale this summer of about 225,000 additional shares of common stock (par $20), but no preferred stock. **Price**—At a minimum of $35 per share net to company. **Underwriters** — Latest common stock financing in April, 1949, was handled by Blyth & Co., Inc.; Lazard Freres & Co.; and Wegener & Daly Corp. **Proceeds**—To repay bank loans and for construction program.

★ **Illinois Central RR.**
May 26 the Interstate Commerce Commission authorized the company to issue and sell not exceeding $25,000,000 of consolidated mortgage 30-year $4\frac{1}{4}\%$ bonds, series D, due June 1, 1982, of which $13,000,000 thereof will be sold presently and the remaining $12,000,000 on or about April 1, 1954, at par and accrued interest to seven insurance companies. The proceeds are to be used to pay, in part, $26,684,500 of outstanding bonds maturing in the period 1952 to 1955, inclusive.

★ **Illinois Terminal RR. (7/2)**
Bids will be received by the company at 710 No. 12th Boulevard, St. Louis 1, Mo., up to noon (CDT) on July 2 for the purchase from it of $1,660,000 equipment trust certificates, series E, to be dated July 1, 1952 and to mature semi-annually from Jan. 1, 1953 to and including July 1, 1962. Probable bidders: Halsey, Stuart & Co. Inc.; Harris, Hall & Co. (Inc.); Salomon Bros. & Hutzler; Bear, Stearns & Co.

Kansas City Power & Light Co.
Jan. 4 company announced that it plans to issue and sell in 1952 about $12,000,000 principal amount first mortgage bonds (this is in addition to present preferred and common stock financing. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co.; Blyth & Co., Inc. and Lazard Freres & Co. (jointly); The First Boston Corp.; White, Weld & Co. and Shields & Co. (jointly); Smith, Barney & Co.; Kuhn, Loeb & Co., Salomon Bros. & Hutzler and Union Securities Corp. (jointly); Equitable Securities Corp.; Lehman Brothers and Bear, Stearns & Co. (jointly); Harriman Ripley & Co., Inc. **Proceeds**—For new construction.

Laclede Gas Co.
See Mississippi River Fuel Corp. below.

★ **Lake Shore Gas Co., Ashtabula, Ohio**
June 11 company received permission of the Ohio P. U. Commission to issue and sell 10,000 shares of common stock (par $10) $1,450,000 of bonds and $300,000 of promissory notes. **Proceeds**—For expansion program.

Lone Star Gas Co.
April 1 the FPC authorized the company to acquire additional properties at a cost of $5,598,129 and to build an additional 69.5 miles of transmission line at a cost of $4,010,200. It is also planned to spend about $31,000,000 in 1952 for additions to plant. Previous financing was done privately.

Maracaibo Oil Exploration Corp.
May 5 stockholders voted to increase the authorized $1 par value capital stock from 500,000 to 600,000 shares. No financing presently planned. No underwriting was involved in offer to common stockholders last October.

McCarthy (Glenn), Inc., Houston, Tex.
March 18 it was reported early registration is expected of 10,000,000 shares of common stock. **Price**—To be supplied by amendment (probably at $2 per share). **Underwriter**—B. V. Christie & Co., Houston, Texas.

Middle East Industries Corp., N. Y.
Oct. 31 it was announced company plans to expand its capitalization in the near future and to register its securities with the SEC preliminary to a large public offering, the funds to be used to build new industrial projects in Israel.

Minabi Exploration Co., Houston, Tex.
March 21 it was reported early registration is expected of 125,000 shares of common stock. **Proceeds**—To go to certain selling stockholders. **Underwriter** — Moroney, Beissner & Co., Houston, Tex.

Mississippi Power & Light Co.
March 14 it was reported company plans to issue and sell in November an issue of $8,000,000 first mortgage bonds. **Underwriters**—To be determined by competitive bidding. Probably bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Kidder, Peabody & Co. (jointly); Blyth & Co., Inc.; The First Boston Corp. and W. C. Langley & Co. (jointly); Equitable Securities Corp. and Shields & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Union Securities Corp.

Mississippi River Fuel Corp.
W. G. Marbury, President, on May 26 announced that company will attempt to acquire control of Laclede Gas Co. as authorized by directors on May 22. This acquisition would cost about $20,000,000, with Laclede stockholders being offered cash or stock of Mississippi River Fuel Corp. in exchange for their holdings. If control cannot be acquired, Mississippi then will sell the 248,400 Laclede shares it now holds. **Underwriter**—Probably Union Securities Corp., New York.

★ **Missouri Pacific RR. (6/19)**
Bids will be received by the company at St. Louis, Mo., up to noon (CDT) on June 19 for the purchase from it of $1,875,000 equipment trust certificates, series TT, to be dated July 1, 1952, and to mature $125,000 annually to and including July 1, 1967. Probable bidders: Halsey, Stuart & Co. Inc.; Bear, Stearns & Co.; Salomon Bros. & Hutzler.

Nevada Natural Gas Pipe Line Co., Las Vegas, Nevada
Feb. 8 company applied to FPC for authority to construct a 114-mile pipeline from near Topock, Ariz., to Las Vegas, Nev., at an estimated cost of $2,400,880, to be financed by sale of $1,600,000 first mortgage bonds, $500,000 preferred stock and $402,500 common stock.

New England Telephone & Telegraph Co.
Dec. 20, F. A. Cosgrove, Vice-President, said a permanent financing program will have to be undertaken in 1952 to repay about $43,000,000 short-term bank borrowings. **Underwriters**—For bonds may be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co. In case of common stock financing there will be no underwriting.

New Jersey Power & Light Co.
April 8 it was reported company plans tentatively to issue and sell $3,200,000 of bonds, $1,000,000 of preferred stock and $400,000 of common stock (latter to be sold to General Public Utilities Corp., parent). **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc. (bonds only); Kidder, Peabody & Co.; Smith, Barney & Co.; Union Securities Corp.; Carl M. Loeb, Rhoades & Co.; Salomon Bros. & Hutzler.

New York Central RR.
May 5, it was reported company may issue and sell $12,000,000 of equipment trust certificates to mature annually 1953-1967, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Bear, Stearns & Co.; Salomon Bros. & Hutzler.

Niagara Mohawk Power Corp.
May 6 stockholders voted to increase authorized common stock by 1,500,000 shares (11,094,663 shares presently outstanding). This places company in a flexible position with respect to formulation of future financial programs. Earle J. Machold, President, said bank loans, totaling $40,000,000 to be outstanding at Dec. 31, 1952, will be permanently financed early in 1953. **Underwriters** — To be determined by competitive bidding.

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Probable bidders: Morgan Stanley & Co. and The First Boston Corp. (jointly); Merrill Lynch, Pierce, Fenner & Beane.

Pennsylvania Electric Co. (8/5)
June 3 it was announced that company plans to issue and sell $9,500,000 first mortgage bonds and $4,500,000 of preferred stock. **Underwriters**—To be determined by competitive bidding. Probable bidders: (1) for bonds—Halsey, Stuart & Co. Inc., Kidder, Peabody & Co., Union Securities Corp. and White, Weld & Co. (jointly); Kuhn, Loeb & Co., A. C. Allyn & Co., Inc., Equitable Securities Corp., The First Boston Corp., Shields & Co. and R. W. Pressprich & Co. (jointly);. (2) for preferred—Smith, Barney & Co. and Kidder, Peabody & Co. (jointly); W. C. Langley & Co. and Glore, Forgan & Co. (jointly); Kuhn, Loeb & Co., Lehman Brothers and Salomon Bros. & Hutzler (jointly); Harriman Ripley & Co., Inc.; Union Securities Corp.; The First Boston Corp. **Registration**—Expected about June 24. **Bids**—To be opened Aug. 5.

Permian Basin Pipeline Co., Chicago, Ill.
April 1 company applied to FPC for authority to construct a 384-mile pipeline system from west Texas and eastern New Mexico to the Panhandle area of Texas at an estimated cost of $58,180,000. Probable underwriters for convertible notes and stock; Stone & Webster Securities Corp.; and Glore, Forgan & Co., both of New York.

• Philco Corp.
June 6 stockholders authorized an increase in indebtedness to $25,000,000, the funds to be used for capital expenditures. No immediate financing is planned. **Traditional Underwriter**—Smith, Barney & Co., New York.

Pillsbury Mills, Inc.
June 4 it was announced stockholders on June 30 will vote on approving a proposal to issue and sell about $5,000,000 of common stock and to increase indebtedness of the company by $5,000,000. **Proceeds** — For expansion. **Underwriters**—Goldman, Sachs & Co., New York, and Piper, Jaffray & Hopwood, Minneapolis, Minn.

Potomac Electric Power Co.
April 16, R. R. Dunn, President, announced company plans to raise about $40,000,000 of new money in connection with its $62,000,000 construction program in the years 1952, 1953 and 1954. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers, Stone & Webster Securities Corp. and Union Securities Corp. (jointly), First Boston Corp.; Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane, White, Weld & Co. and Salomon Bros. & Hutzler (jointly); Kuhn, Loeb & Co. and Blyth & Co. Inc. (jointly); Dillon, Read & Co. Inc.; Harriman Ripley & Co., Inc.

Pressed Steel Car Co., Inc.
April 17 stockholders approved a proposal to increase the authorized common stock from 1,280,000 shares to 3,280,000 shares (1,045,500 shares presently outstanding). The new shares would be issued when directors decide, in connection with diversification program. No immediate financing is planned. **Traditional Underwriter**—Kuhn, Loeb & Co., New York.

Pubco Development Co.
May 15 it was announced that company plans to issue and sell to present warrant holders additional warrants to purchase 605,978 shares of common stock at $1 per share on a one-for-one basis. **Price** — $2 per warrant exercisable on or before Jan. 1, 1955. **Proceeds** — For purchase and development of natural gas and oil leases. **Underwriter**—Allen & Co., New York.

St. Joseph Light & Power Co.
May 21 stockholders authorized an increase in funded indebtedness by $1,500,000 as needed by Dec. 31, 1954, to finance the company's construction program in part. It is also planned to issue 5,000 authorized shares of preferred stock (par $100).

Sapphire Petroleums, Ltd.
May 20 it was reported company may do about $2,000,000 of new financing (including an issue of convertible debentures). **Proceeds** — For acquisition of properties and for development expenses. **Underwriters** — To include Frame, McFadyen & Co., Toronto, Canada.

Scott Paper Co.
April 24 stockholders approved a proposal to increase the authorized common stock from 3,000,000 to 5,000,000 shares, and the authorized indebtedness from $4,000,000 to $25,000,000. The company said it will announce later any plans for future financing. **Underwriters**—Drexel & Co.; Merrill Lynch, Pierce, Fenner & Beane; and Smith, Barney & Co.

Sooner State Oil Co.
June 3 it was reported the company plans to issue and sell 300,000 shares of common stock (par 10 cents). **Price**—$1 per share. **Proceeds**—For drilling expenses, etc. **Underwriter**—Israel & Co., New York.

Southern California Edison Co.
April 18 it was reported company plans to obtain between $25,000,000 and $28,000,000 of new capital through the sale of additional securities. **Proceeds**—For new construction. **Underwriters** — Probably The First Boston Corp.; Harris, Hall & Co. (Inc.) **Offering**—Expected in Fall.

Southern Natural Gas Co.
March 3 company filed with FPC a $76,000,000 expansion program to bring natural gas into its Alabama, Georgia and Mississippi service areas.

Standard Forgings Corp.
April 25 stockholders approved an increase in authorized common stock from 266,000 shares to 350,000 shares. **Traditional Underwriter**—Shields & Co., New York.

Texas-Ohio Gas Co., Houston, Tex.
Oct. 17 company applied to FPC for authority to construct a 1,350-mile natural gas transmission line extending from Texas into West Virginia. The project is estimated to cost $184,989,683. **Underwriter**—Kidder, Peabody & Co., New York.

Transcontinental Gas Pipe Line Corp.
March 14 it was reported company plans issuance and sale this Fall of an issue of convertible preferred stock. **Underwriters**—Probably White, Weld & Co. and Stone & Webster Securities Corp., New York.

Utah Power & Light Co.
June 3 it was reported that company may issue and sell in September about $10,000,000 of first mortgage bonds and 150,000 shares of common stock. **Proceeds**—To repay bank loans and for new construction. **Underwriters**—May be determined by competitive bidding. Probable bidders: (1) For bonds—Halsey, Stuart & Co. Inc.; White, Weld & Co.; Lehman Brothers and Bear, Stearns & Co. (jointly); The First Boston Corp. and Blyth & Co., Inc. (jointly); Union Securities Corp. and Smith, Barney & Co. (jointly); Salomon Bros. & Hutzler; Kidder, Peabody & Co. (2) For common stock—Blyth & Co., Inc., W. C. Langley & Co. and Glore, Forgan & Co. (jointly); Union Securities Corp. and Smith, Barney & Co. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Lehman Brothers; The First Boston Corp.

Virginia Electric & Power Co.
May 26 it was reported company plans issuance and sale later this year of $20,000,000 first and refunding mortgage bonds. **Underwriters** — To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Wertheim & Co. (jointly); Stone & Webster Securities Corp. and Harriman, Ripley & Co., Inc. (jointly); Union Securities Corp.; Salomon Bros. & Hutzler.

★ Virginian Ry. (6/26)
June 13 the company sought permission to issue and sell $1,350,000 of equipment trust certificates. Probable bidders include: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Bear, Stearns & Co. **Bids**—Scheduled to be received on June 26 at noon (EDT) at 44 Wall Street, New York.

Washington Gas Light Co.
Jan. 12 reported that company is considering plans to raise about $4,500,000 from the sale of additional common stock to its stockholders (there are presently outstanding 734,400 shares). **Underwriters**—The First Boston Corp. and Johnston, Lemon & Co. handled the offering last year to stockholders. **Proceeds**—Together with bank loans and other funds to take care of proposed $6,000,000 expansion program. **Offering**—Of about 150,000 common shares expected in June.

Washington Water Power Co.
Jan. 9 company applied to the SEC for authority to make bank borrowings of $40,000,000, the proceeds to be used to finance contemporarily, in part, the company's construction program. Permanent financing expected later this year. Probable bidders: (1) For stock or bonds: Blyth & Co., Inc.; Smith, Barney & Co. and White, Weld & Co. (jointly); W. C. Langley & Co. and The First Boston Corp. (jointly); (2) for bonds only: Halsey, Stuart & Co. Inc.

Western Light & Telephone Co., Inc.
April 11 stockholders increased authorized common stock from 400,000 to 500,000 shares, the additional shares to be issued as funds are needed for new construction. **Dealer-Managers**—Harris, Hall & Co. (Inc.), Chicago, Ill., and The First Trust Co. of Linclon, Neb.

Our Reporter's Report

The secondary corporate market gave all indications of having anticipated the Treasury's latest new financing undertaking. At any rate the high grade corporate list appeared to stiffen in the wake of the announcement of terms for the government's intermediate offering and the brisk oversubscription which followed opening of the books.

Corporates had been a bit on the uneasy side through recent weeks. And the same could be said for the Treasury list. But in neither case was there any evidence of marked disposition to sell.

Rather it was a case of unwillingness on the part of potential buyers to step into the market until the Treasury had revealed what it had in mind for its new issue.

Inquiry among major underwriters of new corporates discloses that despite the sluggishness of a few recent offerings, inventories in dealers hands are by no means burdensome. New issues may have been slow, but they have been working out.

But that is not exactly the case in the municipal market where stocks on dealers' shelves are fairly substantial. Presumably in view of the sweetening which the Treasury adopted to assure itself of a satisfactory investor response, municipal dealers may be faced with the task of "trading themselves out" of some of their positions.

Most New Issues Slow

While basically the market appears to have established a new base there is, as yet, no rush on the part of institutional investors to take on new issues reaching the offering stage.

Several sizable issues brought out this week were reported a bit on the slow side. The list included Public Service Electric & Gas Co.'s $40,000,000 of debentures where the first day saw only a minor part moving out.

The same held true in the case of Kentucky Utilities Corp.'s $12,000,000 bonds; Oklahoma Natural Gas' 160,000 shares of preferred and Public Service Co. of Indiana's 800,000 shares of preferred.

American Gas & Electric

There appeared to be a better preliminary inquiry in the case of American Gas & Electric Co.'s $20,000,000 of 25-year debentures. Perhaps the shorter maturity was a factor here.

At any rate dealers were inclined to anticipate brisk demand for this undertaking which was priced for public offering at 100¾ to yield 3.33%.

The Street reported a goodly run of scattered inquiries but through the early hours of the offering it was reported that "big" investment names were slow in appearing.

Two Issues Next Week

Going into the final month of the half year the investment banking fraternity looks forward to a rather dull period what with the Fourth of July week-end following closely in its wake.

There are only two substantial pieces of new debt financing looming for the period, both slated for competitive bidding on Tuesday.

On that day Public Service of Indiana will open bids for an offering of $25,000,000 of new bonds and the Southern New England Telephone Co. will consider bids for an issue of $115,000,000 of debentures.

J. E. Bennett Admits

Charles Isaacson will become a partner in James E. Bennett & Co., members of the New York Stock Exchange and other leading exchanges, on June 26. Mr. Isaacson will make his headquarters at the firm's New York office, 30 Broad Street.

Bowaters Southern Paper Sells Bonds Thru Morgan Stanley

Bowaters Southern Paper Corp., a wholly-owned subsidiary of The Bowater Paper Corp. Ltd. of England, announces that it has entered into agreements with 12 United States insurance companies for the sale of up to $37,500,000 of its 4¾% sinking fund first mortgage bonds, series A, due March 1, 1973. The financing was arranged through Morgan Stanley & Co. Bowaters Southern has also entered into a credit agreement with a group of five banks headed by J. P. Morgan & Co. Incorporated, for the issuance of up to $7,500,000 of its 4¼% notes due July 1, 1955 to July 1, 1959, inclusive. London and Yorkshire Trust Ltd. of London has acted as financial advisor to The Bowater Paper Corp. Ltd. in this transaction.

Bowaters Southern Paper Corp., incorporated in Delaware, was formed in 1951 for the purpose of constructing and operating an integrated newsprint and kraft sulphate pulp mill near Charleston, Tenn. The mill, when completed early in 1954, will have an annual capacity in excess of 125,000 tons of newsprint and some 50,000 tons of kraft sulphate pulp, excluding pulp required by the mill in the manufacture of paper.

The business of The Bowater Paper Corp. Ltd. of England, the largest producer of newsprint in Europe, was established in 1881. The Bowater organization includes the parent corporation and 37 subsidiary companies among which is Bowater's Newfoundland Pulp and Paper Mills Ltd. located in Corner Brook, Newfoundland, Canada. The mills of this latter company comprise one of the largest single integrated newsprint and pulp producing units in the world.

American-Canadian Uranium Stk. Offered

American-Canadian Uranium Co., Ltd. is offering to the public as a speculation 850,000 shares of capital stock of the company at a price of $2 per share.

The company plans to use most of the net proceeds of the offering for engineering, development and mining. The remaining $97,000 will be used in connection with payments of its accounts receivable and loans payable and other purposes.

American-Canadian Uranium Co., Ltd. presently has holdings consisting of 98 mining claims covering about seven square miles of the Goldfields area of Saskatchewan.

The company is directing its exploration program in the Goldfields areas of northern Saskatchewan, Canada, primarily for uranium, according to the prospectus.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

After weeks of stalling during which a handful of stocks managed to pull the average up to new highs, the market has again shown a reviving interest on the up-side. Oddly enough the clues to the turn came from the negative groups and stocks rather than from the positive ones. The latter consist mostly of the oils and rails with oil properties or interests.

* * *

For weeks the textiles, for example, have been declining, though at no time was their retreat so apparent as to cause any undue worry. Last week at least two of the major stocks in the group, Celanese and Rayonier, dribbled down to old areas and for a time they acted as if they would get below them. Had they done so the chances are they would have brought in additional selling and enough hoopla to scare holders. Instead they turned around and slowly moved up again.

* * *

Positive groups which gave their first indications about ten weeks ago and since have fallen by the way, also started perking up. Outstanding examples were the airplane issues with Lockheed as the standout. Then there was the beer group, food group (General Foods the leader); metals with Kennecott and American Smelting as the leaders.

* * *

At the same time such stocks as Copperweld Steel, Square D and Borg Warner started their moves. In the majority of cases the moves were (and still are) due to investment trust buying. It is interesting to note that such buying has developed a completely new market barometer. When such buying is completed the stock usually falls back and goes into the doldrums.

* * *

Occasionally the pattern is changed and it is this change that has taken on market significance. Instead of a dull market in a particular stock right after the completion of an investment trust buying order, some stocks break away from the pattern and continue to advance even though it be by slow fractions. The reasons for this are debatable and the weather is too hot to debate anything now.

* * *

Long ago I learned that no position can be taken in the market that can't be changed. One doesn't argue with the market. One either believes in what one thinks he sees and acts accordingly or leaves it alone. Last week I wrote here that any buying at current prices would be unwise. That was last week.

* * *

Now with the action changing the position, though it still looks enticing, is no longer so strong. A move of more than a few points is now indicated. Were I short I'd hate to sit through such a period.

[*The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.*]

5 With Hannaford Talbot

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Calif.—Robert F. Bates, Thelma P. Furey, Allen E. Shaw, Paul J. Stewart and Craig H. Taylor have become associated with Hannaford & Talbot in their newly opened Los Angeles office, 634 South Spring Street. Mr. Shaw will be resident manager for the firm. All were previously associated with Pacific Coast Securities Company.

Peter Morgan Offers Tri-Tor Oils Ltd. Stock

Peter Morgan & Co. are offering 1,000,000 shares of common stock of Tri-Tor Oils Ltd at a price of $1 per share.

Proceeds of the offering will be used by the company to defray the company's 50% share of the cost of construction of a treating plant at Bonnyville, Alberta; to defray the company's 50% share of the cost of its development program on its reservation No. 850, and for drilling and development programs on other locations and the remainder will be added to the general funds of the company.

Tri-Tor is engaged jointly with Tor American Oils Ltd in producing heavy oil and drilling for oil and natural gas in the general vicinity of Bonnyville, Alberta primarily on a leasehold in a new heavy black oil producing area. The company is also engaged in speculative drilling of wells on two other reservations in the same vicinity.

D'Orazi Inv. Co.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, Calif.—Victor W. D'Orazi has opened office at 165 O'Farrell Street to engage in the securities business under the firm name of D'Orazi Investment Company.

With Wagner, Reid

(Special to THE FINANCIAL CHRONICLE)

LOUISVILLE, Ky. — John L. Reid has been added to the staff of Wagner Reid and Ebinger, Inc., 415 West Jefferson Street, members of the Midwest Stock Exchange.

Joins McDonald, Evans

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, Mo. — Herbert V. Ewing has joined the staff of McDonald, Evans & Company, 1009 Baltimore Avenue.

With Waddell & Reed

NORTHVILLE, Mich. — Frank Watza is now with Waddell & Reed, Inc.

West & Co. Offers Penn Bayless Stock

West & Co., Jersey City, N. J., are offering "as a speculation" an issue of 2,250,000 shares of Penn Bayless Oil & Gas Co. common stock at 12½ cents per share.

The net proceeds are to be used to acquire certain leaseholds in Warren County, Pa.; to recondition wells already located on the leaseholds; and the balance for working capital.

Penn Bayless was incorporated in Delaware on April 2, 1952 for the purpose of exploring for oil and gas and acquiring likely oil and gas prospects for operation and development.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C.—Joe Ball, that bright, attractive, and hard-working lad from Minnesota who was one of the principal drafters of the Taft-Hartley Act, gave forth his views the other day on the status of labor legislation and the labor movement before a small private group of business editorial brains.

Mr. Ball was the man who started out as an enthusiastic union laborite when he was young in Minnesota. In proportion as the labor movement became arbitrary and moved to the left, Ball's judgment caused him to move to the right in economic thinking. Before he was replaced by that luminary of the ADA, Hubert Humphrey, former Senator Joe Ball was rated as as well informed on labor matters as any one in Congress, bar none.

Although Joe Ball was one of the principal architects of Taft-Hartley, needless to say he didn't get his way on everything. As he summarized it in this discussion, there were four objectives to be obtained in labor legislation when T-H was brought up:

(1) To eliminate the secondary boycott. This was done.

(2) To equalize rights, duties, and responsibilities as between management and union labor. Ball thought this was fairly well done.

(3) To end the closed shop or any form of compulsory union membership.

(4) To ban industry-wide bargaining.

Because of politics, a bad job was done on (3) and none on (4).

The fundamental problem, Ball told the business editors, is to end the monopoly of the big labor unions. There is no such thing any more, in his opinion, as a free labor market under the big international unions. There can't be a free market for the goods for industry very long if there isn't a free market for labor.

In Joe Ball's opinion, regardless of who is elected President of the U. S. next November, if industry stands behind conservatives in Congress, it will be possible to ban industry-wide bargaining. The trouble with this move, he said, is that too many industrialists find industry-wide b a r g a i n i n g the "easy way" and will let some top six settle all their labor problems.

One of the great dangers, he said, of this industry-wide bargaining is that even though Congress this time refused Mr. Truman the power to seize the steel industry and to impose compulsory arbitration, there will come a time later, under industry-wide bargaining, when Congress in a panic will be stampeded into enacting these things.

"Seizure and compulsory arbitration inevitably lead to socialism," Mr. Ball declared. Under these powers, "no matter what kind of a government you have, one party or the other to a labor contract will feel it has an advantage to go to the government," he explained.

Mr. Ball also talked on the socialistic trend. He said that in his eight years experience in the Senate the thing that impressed him most was that conservatives were always being placed on the defensive by a veritable deluge of proposals of a socialistic kind, usually coming from the labor movement or backed by them. To be sure, they were not labeled socialistic, but in all cases involved more and more power for the Federal government.

The usual conservative is kept so busy defending himself for not favoring these radical proposals that he has no time to strike out and take the offensive for measures to restore the free society, Mr. Ball pointed out.

* * *

One organization which has consistently tagged the scheme to foist broad advances in the Welfare State upon the U. S. via the route of so-called international treaties jiggled through UN-sponsored and other social welfare conferences, is the Chamber of Commerce of the U. S.

One of the latest of these schemes, the Chamber reports, is the meeting this month in Geneva, Switzerland, of the International Labor Organization. It is about to come forth with a social welfare program for adoption by all nations, a program which starts prior to the cradle and ends with the grave, and is to be made a treaty.

Among other things, this prospective treaty will recommend that governments contribute 25% of the premiums of private life insurance, governmental acquisition of all private pension systems, federalization of all public assistance, socialized medicine, a broad program of maternity benefits, sick pay, and family allowances.

With respect to ILO, the government uses the same kind of a "tripartite" scheme as it does with the Wage Stabilization Board. There are two representatives of government, two of labor, and two of industry. In this case, as in 24 out of 27 other major votes in the last three years before ILO, the government plus labor delegates outvote the industry delegates. Hence it is expected that the United States delegates will formally OK this treaty.

In the Senate, however, approval is another matter, for the Congress has finally got wind of the scheme to attempt to enact broad welfare commitments by incorporating them into treaty. By virtue of a treaty, once approved, they become the supreme law of the land.

Senator John Bricker (R., O.) has introduced a proposed constitutional amendment whose purpose is to remove the supreme character as the law of the land of any provision of a treaty which contravenes the Constitution.

When this proposal was up for a short hearing before a Senate Judiciary subcommittee, the main objector, of course, was the Department of State. The State Department (believe it or not) objected to the Bricker amendment because it said that such a provision would hamper the Department in concluding commercial treaties with foreign countries.

However, Senator Bricker and other conservatives knew that they would not get this proposed constitutional amendment through Congress this late in the session. Their hearings were for the purpose of calling the attention of Congress and the country to the attack upon the Constitution via the international welfare treaty.

Incidentally, the Chamber of Commerce of the U. S. reports, the UN Department of Social Affairs, in a publication entitled, "Economic Measures in Favor of the Family," lists the United States as fifth from the bottom among all the nations in the world in social progress. According to this great report, only Pakistan, Honduras, Turkey, and the Philippines are less progressive than the U. S. in what they (meaning, of course their governments) do for the family.

* * *

Labor Secretary Tobin has backed down on the scheme to extend, by administrative fiat, to government supply subcontractors, the Walsh-Healey government contracts act, setting minimum wages and overtime for persons employed in the production of goods for the government under contract. Tobin withdrew his proposed regulations when it appeared there was a good chance Congress would crack down on him.

And the Senate put a ban in its draft of legislation upon the proposed "Mutual Security News," a publicity puff-sheet which the Mutual Security Administration had launched, and also the Senate proposed a ban on MSA junkets.

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(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ

"All right—all right!—Who's the Milton Berle around here?"